Annual Report 2020

Leading Manufacturer in Reciprocating Compressor for Refrigeration and Air Conditioning Products

BRISTOL COMPRESSORS™

KULTHORN KIRBY PUBLIC CO., LTD.

Vision

To be the leader in the reciprocating motor compressor business in ASEAN and response to the world demand.

Mission

1. To manufacture quality motor compressors with on time delivery and at a competitive price.
2. To strengthen and improve partners relationship and satisfaction.
3. To increase product development capability to serve and fulfill customers' needs.
4. To enhance the knowledge and improve the quality of life of the company' staff at all levels.
5. To conduct its business in line with the social responsibility principles and environment. Regulations.

Values "KK - BEST"

1. Doing it right the first time
2. Learning and self development
3. Team working

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Message from Chairman

Up until 2020, Kulthorn Kirby Public Company Limited has been established for 40 years. With a commitment to continuously produce compressors to meet global market demands. Therefore, the company never stops developing the product's quality at competitive prices following the market demand by increasing production capacity as well as increasing potential in business management with technology and develop a management system to lead to a quality management system.

The Company was originated by a Thai Government's policy that Thailand is a tropical country. Therefore, air-conditioner and refrigerator are necessary for the better living of Thai people. The government had set their sights to establish motor compressor industry in Thailand in order to support the expansion of air-conditioner and refrigerator industry. As a result, The Company has been selected from the Board of Investment of Thailand (BOI) referring to the announcement No. 4/2521 dated 1 June 1978 to establish the neutral company Consisting of the shareholders of 10 manufacturers of refrigerator, air-conditioner and Industrial Finance Corporation of Thailand (IFCT) which were equivalent to 60 percent of the total shares. The remaining portion was equally divided into Kirby Australia and Simakulthorn Group at 20 percent each. According to the government's conditions, the company has to use 80% of a domestic raw material within 3 years. However, a domestic raw material was in short-supply at that time. Because of that, the company has established a subsidiary to produce their own parts and raw materials for example Kulthorn Kirby Foundry Co., Ltd. (KKF) which produces high quality cast iron, Kulthorn Steel Co., Ltd. (KSC) which produces processed steel, and Kulthorn Materials Co., Ltd. (KMC) which produces high quality enamelled copper wire.

Over the past 40 years, the company has overcome many obstacles and the turnover is profitable every year until 2017 which he company began to have a loss for the first year and continuous losses until now. Part of the reason came from the fact that Thailand has signed Bi-Lateral Free Trade Agreement with China which began on November 10, 2017. This agreement reduced the import tariffs of motor-compressors from China from 30% to 0% as well as the import tariffs on air conditioners and refrigerators reduced from 60% to 5% without any requirement about using of 80% domestic produced parts. These issues resulting in Thai air conditioner/refrigerator manufacturer turned to importing finished air conditioners from China instead of using domestic compressors in their production processes and also allow a huge number of Chinese items which have cheaper price and lower cost of production compare to a domestic rate to enter Thailand's markets. If this agreement still continues use, the company had to be impacted even more and these can be able to destroy domestic industries. Thence, the company has written a complaint letter to the Government of the Prime Minister and relevant ministers to inform the impact on the motor compressor manufacturers industry. At present moment, the government has created a team to study the impacts and consider ways to help the motor, compressor and related industries. Although, the solution has not come out yet and the meeting has to be halted due to the outbreak of COVID-19.

In 2018, I decided to come back as Chairman of the Board again on June 1, 2018, when it was reported that Kulthorn Kirby Public Company Limited had a loss since 2017.

In 2019, I have necessary to be an acting president from April 21, 2020 since Mr. Sutee Simakulthorn at that time was president has resigned from that position. Due to, the group had 3 consecutive years of operating loss from 2017 - 2019 as follows:

- Year 2017; Total sales of Baht 9,559.52 million Loss -172.75 million baht
- Year 2018; Total sales of Baht 7,482.72 million Loss -605.79 million baht
- Year 2019; Total sales of Baht 5,961. 56million Loss -1,123.73 million baht

After acting president's inaugural, I have desperately performed my duties to improve the companys operation in various sections such as raising the compressor sales price by 10% since September 2020 and controlling unnecessary expenses until the company's operation losses has reduced from Baht 1,123.73 million in 2019 to Baht 638.2 million in 2020.

In 2020, the company have met several kinds of challenges from the outbreak of coronavirus disease (COVID-19) which impact to the sluggish of overall economy of Thailand. This is resulting in more than half of the Thai economy has to rely on foreign markets. However, both exports and tourism have to face a slowdown from closing borders or locking down as well. All those occurrences impact all businesses and industries including motor compressor and other related industries in the supply chain. Moreover, the company has also been confronting with extremely fierce competition during this period. Nevertheless, the company is still operating in accordance with its business plan in order to improve operational performance with the goal to generate profits in 2021 under the management of the new President who took over since February 24, 2021.

One of the achievements of the past year, on September 10, 2020, the company officially opened the new compressor line under the world-class brand name "Bristol" which the company has acquired various proprietary branded machinery assets as well as relocated all production bases with the technique teams to Thailand with an expectation to produce a compressor for use in air conditioners, heat pumps and commercial refrigerators. Due to these line of products is greatly demanded in the United State of America and Middle East, research and development in new products to be more efficient and cost-effective, improvement in significant production processes to be automation and semi-automation, more robust inventory management. All these initiatives would bear their fruits in very near future. They would create company's sustainable growth and performance.

The Company would like to thank the Board of Directors, shareholders, customers, business partners, financial institutions and government entities. The Company would like to also extend our thanks to the Executive Management and every fellow team member who dedicate their continual support, co-operation and collaboration.

Sumeth Simakulthorn
Chairman

Summary of the company's financial information

Consolidated Financial Statements (Thousand Baht)

	2020	2019	2018	2017	2016
Total assets	6,733,081	6,262,741	7,142,111	7,297,335	7,746.906
Total liabilities	5,741,983	5,523,693	5,573,815	5,071,842	5,208,941
Shareholder's equity	991,098	739,048	1,568,296	2,225,493	2,537,965
Sales and services income	5,580,113	5,939,976	7,455,852	9,476,915	8,665,888
Total revenues	5,599,476	5,961,300	7,482,715	9,559,515	8,851,816
Gross income (loss)	173,818	(208,527)	65,861	591,510	654,284
Net income (loss)	(638,202)	(1,123,729)	(605,795)	(172,753)	63,303
Financial Ratio (%)					
Net profit margin	(11.04)	(18.85)	(8.10)	(1.81)	0.72
Return on equity	(64.39)	(152.05)	(38.63)	(7.76)	2.49
Return on total assets	(9.48)	(17.94)	(8.48)	(2.37)	0.82
Per share data (Baht)					
Net income (loss)	(0.425)	(0.875)	(0.505)	(0.144)	0.053
Dividend	*_	_	_	0.05	0.10
Book value	0.66	0.49	1.31	1.85	2.11

* The Board of Directors Meeting No. 1/2021, held on 24 February 2021 resolved to propose the Ordinary Shareholders meeting No. 42/2021, to be held on 28 April 2021 approving the dividend omission for 2020's operational results.

Business Overview and Policy

Kulthorn Kirby Company Limited ("the Company") was established on 24 March 1980 by the cooperation between Simakulthorn Group, Kirby Group Australia, refrigerator producers in Thailand, and the Industrial Finance Corporation of Thailand to operate as a manufacturer and seller of motor compressor, reciprocating type for refrigeration products i.e., refrigerators, freezers, water coolers, and commercial refrigerators. The Company is the first motor compressor manufacturer in Thailand.

The Company was listed in the Stock Exchange of Thailand on 22 February 1991, and later expanded its production to the motor compressor for the air conditioning products. Furthermore, the Company and other investors invested and established new companies to produce major parts of compressor to replace imported parts in order to reduce the production costs and to improve product quality. The company has continuously grown its business, and reached 38th anniversary in 13 January, 2020.

With the goal to become the leader of motor compressor manufacturing, the company sets up business operating process as follows.

Vision : To be the leader in the reciprocating motor compressor business in ASEAN and response to the world demand.

Mission :

1. To manufacture quality motor compressors with on time delivery and at a competitive price.
2. To strengthen and improve partners relationship and satisfaction.
3. To increase product development capability to serve and fulfill customers' needs.
4. To enhance the knowledge and improve the quality of life of the company' staff at all levels.
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Values " KK - BEST "

1. Doing it right the first time
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Business Strategies :

1. Reduce cost to maintain competitive ability.
2. Develop products conforming to market demand.
3. Reinforce knowledge and ability of the staffs.
4. Expand existing market and penetrate into new market.
5. Invest or acquire the business (M&A).
6. Increase the advantage network of Backward Vertical Integration.
7. Support activities which fortify responsibility in society and environment.
8. Increase competitive advantage by increasing production capacity.
9. Apply information technology for operating data to increase efficient business management.
10. Develop management system to be Quality Management System by TQM.

Change and Main Development

Business structure management

Besides, the production and selling “Hermetic Reciprocating Compressor”, the company is also investing in new companies for producing raw material and some parts of compressor motor, instead of import from another country or purchase from other company in the country. By set up new companies will strengthen competitive advantages to companies in term of, lower production cost and enhance the efficiency of product as follow.

24 November, 1989, set up Kulthorn Kirby Foundry Co., Ltd. (KKF) for producing “Quality Casting Part” for motor compressor, cars and other industries. At present, the company is holding 100% shares in the company.

31 August, 1990, set up Kulthorn Control Co., Ltd. for producing “Gas Pressure Thermostat” for using with refrigerator and air-condition. In 1997, started to produce “Enameled Copper Wire” which is a main raw material for making motor compressor. In 1997, the effect of economic recession in Thailand had forced the company to do debt restructuring and selling shares in December, 2000. On 2003, has changed the company’s name to Kulthorn Material and Control Co., Ltd., then on 2 July 2010, company own all 100% shares of the Kulthorn Material and Control Co., Ltd. (KMC) again while Kulthorn Material and Control Co., Ltd. also own all the shares of Kulthorn Metal Products Co., Ltd. (KMP) which producing of forging and heat Treatment metal parts. Also, owned 100% of indirect holding shares in Suzhou Kulthorn Magnet Wire Co., Ltd. (SKMC) that producing “Enameled Copper Wire” at the factory in China.

15 July 2004, took over 80% shares of Chachoengsao Casting Work Co., Ltd. which manufacture “Steel pipe parts”, moreover, the company, Chachoengsao Casting Work Co., Ltd., took over only motor compressor section from Sanyo Universal Electric Co., Ltd. then changed the name to Kulthorn Premier Co., Ltd.(KPC) and on 29 September 2006, the company own all 100 % shares in this company.

20 June 2007, set up Kulthorn Steel Co., Ltd. for cutting and processing of sheet metal (Coil Center) which are using in manufacture motor compressor, electric motor and other, the company also own 100% shares of the company.

25 December 2013, Kulthorn Kirby Foundry Co., Ltd. (KKF), a subsidiary company, that producing “Cast Iron Parts”, took over part of Kulthorn Premier Co., Ltd. (subsidiary company) for business integration in order to reduce management burden as these companies are sharing similarity which will increase the potential to compete.

13 January 2017, set up Kulthorn Research and Development Co., Ltd. which company have 100% shareholding, for research and development of product in manufacturing motor compressor, electric motor and so on that started to operate in 2018.

30 September 2018, Kulthorn Steel Co., Ltd. (KSC) is a subsidiary company, that operate for cut and transform metal sheet, bought assets and transfer employees from Kulthorn Metal Product Co., Ltd. which produce smashed metal, metal hardened and metal lathe. The purpose is to reduce the cost, to enhance efficiency and potential to compete with other in the name of Kulthorn Kirby Public Co., Ltd. (KKC).

13 October 2018, Kulthorn Kirby Public Co., Ltd. (KKC) has signed asset purchase agreement with BRISTOL COMPRESSORS INTERNATIONAL, LLC which has contract amount of USD 4 Million The purchase consists of machine, production facilities including brand, patents, know how and crucial staff. The production lines will be moved from United State of America to Thailand. This will extend our compressor capacity from the maximum of 10HP to 25HP. We will focus on commercial and residential air conditioners and commercial refrigeration market.

In 2019, the Company had renovated our plant and facilities in order to support Bristol production line. All machines were shipped from United State of America to Thailand and installed completely. In addition, some parts of machine have been tested. The Bristol compressor project is expected to commence within 2020.

BRISTOL COMPRESSORS – AMERICAN BRAND MADE BY THAI

On 10 September 2020, Kulthorn Kirby Public Company Limited officially commenced production of Bristol Compressors using processes replicated from the Virginia plant in the USA. The compressors products range from 1.5HP to 25HP for air-conditioning, from 9,000 to 287,400 Btu/hr for heat pump applications, and from 5,200 to 40,100 Btu/hr for commercial refrigeration products.

Kulthorn Kirby Public Company Limited is committed to fully support Bristol's worldwide customers throughout the transition. This will include not only ramping up production and reintroducing the new Bristol brand to the market, but also re-establishing and reinforcing the existing supply chain.

Sustainable Growth

1980 : Kulthorn Kirby Co., Ltd. (KKC) was established March 24
1981 : Production of AE compressors commenced August 8
1982 : Grand opening on January 13 and starting the production
1989 : Starting the production of AZ small refrigerator compressors
: Kulthorn Kirby Foundry Co., Ltd. (KKF) was established November 24
1990 : Kulthorn Controls Co., Ltd. was established August 31
1991 : Registered on the Stock Exchange of Thailand's list on February 22
1993 : Starting the production of non-CFC and AW (12.5 HP) compressors
1998 : CE mark, CB and ISO 9002 : 1994 certified
2000 : ISO 14001 : 1996 certified
2001 : Starting the production of WJ compressor, the company's proud invention
: ISO 9001 : 2000 certified and UL approved
2002 : OHSAS 18001 : 1999 certified
2004 : Hold the share 80% of Kulthorn Premier Co., Ltd. (KPC). Producing and selling small hermetic compressors under the license of Sanyo Universal Electric Co., Ltd. Japan
2005 : ISO 17025 :1999 and ISO 14001 : 2004 certified
2006 : 20th million compressor was produced
: Hold the share 100% of Kulthorn Premier Co., Ltd. (KPC) on 29 September 2006.
2007 : Kulthorn Steels Co., Ltd. was established for steels coil center
2008 : Starting the production of KA and LA compressors for large air conditioners
2009 : Starting the production of CA compressors for large refrigerators
: Thailand Kaizen awards (Excellence Technique - Automation) from Technology Promotion Association (TPA) – Thai Japan
2010 : 30th million compressor and 5th million AW compressor were produced.
: Golden Award (Thailand 5S Award) from the Technology Promotion Association (TPA) – Thai Japan
: Thailand Kaizen awards (Excellence Technique - Automation) from Technology Promotion Association (TPA) – Thai Japan
: Hold the share 100% of Kulthorn Materials and Controls Co., Ltd. and its subsidiaries (Kulthorn Metal Products Co., Ltd. and Suzhou Kulthorn Magnet Wire Co., Ltd.)
2011 : ISO/IEC 26000 Certificate
2012 : KKC celebrated its 30th anniversary January 13
2013 : Non CFC awards of Thailand from Government Department of Industrial works
: Thailand Kaizen awards (Golden awards - Automation) from Technology Promotion Association (TPA) – Thai Japan
: ISO/IEC 17025:2005 Certificate from Thai Industrial standard institute ministry of industry
: Our Skills Our Future awards of Thailand from Department of Skill Development
: Hearing Conservation in the Establishment awards (Level 2) from Ministry of public health
2014 : Thailand Kaizen awards (Bronze awards - Office) from Technology Promotion Association (TPA) – Thai Japan
: 40th million compressor was produced.

2015 : Thaipat Institue granted a Certificate of ESG 100 COMPANY to certified KKC as one of the 100 Public Company Limited of Environmental, Social and Governance Carefulness on 27 May 2015.

: Thailand Kaizen Silver awards and Golden awards from Technology Promotion Association (TPA) – Thai Japan

2016 : Thailand Kaizen Silver awards from Technology Promotion Association (TPA) – Thai Japan

: 46th million compressor was produced.

2017 : Kulthorn Research and Development Co., Ltd. was established for Research and development center on 13 January 2017.

: Thailand Kaizen Golden awards from Technology Promotion Association (TPA) – Thai Japan

: 48th million compressor was produced.

2018 : Thailand Kaizen Silver awards from Technology Promotion Association (TPA) – Thai Japan

Group of Company's Shareholding Structure

At present, the company has 7 subsidiary companies

- Kulthorn Premier Company Limited (KPC)
- Kulthorn Kirby Foundry Company Limited (KKF)
- Kulthorn Steel Company Limited (KSC)
- Kulthorn Materials and Controls Company Limited (KMC)
- Kulthorn Metal Products Company Limited (KMP) (Operation closed)
- Suzhou Kulthorn Magnet Wire Company Limited (SKMC)
- Kulthorn Research and Development Company Limited (KRD)

The structure of the company and its subsidiary is as follow.

Business Overview of the Company and its Subsidiaries.

The Company is the manufacturer and seller of reciprocating compressors for refrigeration and air conditioning products, and the subsidiaries are the manufacturers and sellers of related materials and parts and the research & development provider for reciprocating compressors, details are as follows:

- **Kulthorn Kirby Public Company Limited** is the manufacturer and seller of motor compressor, reciprocating type for refrigeration products i.e. refrigerators, freezers, water coolers, commercial refrigerators, and air conditioners. The reciprocating compressor can be used with many types of refrigerant including Ozone Friendly Substance such as R290, R134a, R404A, R407C, R410A, R507, R600a, R448, R1234yf and R32 with the sizes from 1/20 horsepower to 10 horsepower. The Company also produces Condensing Unit which is the component of refrigeration products, electrical motor parts, and other motor compressor parts.
- **Kulthorn Premier Company Limited** is the manufacturer of the motor compressors.
- **Kulthorn Kirby Foundry Company Limited** is the manufacturer of the quality iron casting for motor compressor and automotive parts.
- **Kulthorn Steel Company Limited** is the Steel Coil Center for the manufacturer of motor compressor, electrical motor, and other parts and the manufacturer of the forging, Heat Treatment metal parts.
- **Kulthorn Materials and Controls Company Limited** is the manufacturer of the enameled copper wire and thermostat used in refrigerators.
- **Kulthorn Metal Products Company Limited** (Operation closed)
- **Suzhou Kulthorn Magnet Wire Company Limited** is the manufacturer of the enameled copper wire and motor parts of compressor.
- **Kulthorn Research and Development Company Limited** is the research and development provider for motor compressor and related parts.

The Company and all subsidiary companies are in sole business activity is to manufacture and then sell the components and parts for refrigeration and air conditioning products.

Major income from sales of motor compressors by company and subsidiary

1. Sales of motor compressors by Kulthorn Kirby Public Company Limited

- Sales quantity (sets)

Motor Compressors for	Cooling Capacity (B.T.U. / Hrs)	Sales quantity (sets)					
		2020		2019		2018	
Refrigerator, Freezer, Water Cooler	160 - 900	15,369	1.64%	209,348	20.95%	283,390	21.92%
Refrigerator, Commercial Refrigerator	900 – 5,000	316,040	33.68%	387,369	38.77%	443,450	34.32%
Commercial Refrigerator, Air Conditioners	5,000 – 35,000	606,236	64.60%	401,350	40.17%	564,012	43.65%
Large Size Air Conditioner	37,000 – 120,000	816	0.09%	1,132	0.11%	1,369	0.11%
Total		938,461	100%	999,199	100%	1,292,221	100%

- Sales amount (Thousand Baht)

Motor Compressors for	Cooling Capacity (B.T.U. / Hrs)	Sales amount (Thousand Baht)					
		2020		2019		2018	
Refrigerator, Freezer, Water Cooler	160 – 900	15,628	0.61%	184,595	8.47%	249,388	8.79%
Refrigerator, Commercial Refrigerator	900 – 5,000	636,120	24.88%	728,101	33.40%	838,662	29.57%
Commercial Refrigerator, Air Conditioner	5,000 – 35,000	1,896,178	74.17%	1,255,112	57.57%	1,733,876	61.13%
Large Size Air Conditioner	37,000 – 120,000	8,494	0.33%	12,350	0.56%	14,556	0.51%
Total		2,556,420	100%	2,180,158	100%	2,836,482	100%

2. Sales of motor compressors by Kulthorn Premier Company Limited (Subsidiary)

Motor Compressors for Refrigerator, Freezer, Water Coolers (Sizes 106-1775 B.T.U. / Hrs)	Sales transaction		
	2020	2019	2019
Sales quantity (sets)	190,518	261,461	415,960
Sales amount (Thousand Baht)	205,414	273,512	434,960

Revenue structure by products of the Company and Subsidiaries

Products	Operate by	% of holding shares	2020 Revenue (Million Baht)	%	2019 Revenue (Million Baht)	%	2018 Revenue (Million Baht)	%
1 Compressors and parts	KKC KPC KRD	100	3,277.24	59	3,140.80	53	4,171.97	56
2 Enameled wires	KMC SKMC	100	1,017.56	18	1,153.68	19	1,412.51	19
3 Steels sheets and forming	KSC	100	765.95	14	888.68	15	950.92	13
4 Casting parts	KKF	100	519.36	9	756.81	13	864.50	11
5 Metal parts	KMP	100	-	-	-	-	55.925	1
Total			5,580.11	100	5,939.97	100	7,455.85	100

KKC : Kulthorn Kirby Public Company Limited

KPC : Kulthorn Premier Company Limited

KKF : Kulthorn Kirby Foundry Company Limited

KSC : Kulthorn Steel Company Limited

KMC : Kulthorn Materials and Controls Company Limited

KMP : Kulthorn Metal Products Company Limited

SKMC : Suzhou Kulthorn Magnet Wire Company Limited

KRD : Kulthorn Research and Development Company Limited

Revenue from external customers by locations (Thousand Baht)

	2020	2019	2018
Thailand	3,233,025	4,082,633	5,035,165
Hong Kong	1,448,091	895,443	1,315,670
China	211,406	232,377	287,526
Indonesia	33,134	54,180	36,226
Saudi Arabia	114,740	75,383	40,211
Others	539,717	599,960	705,054
Total	5,580,113	5,939,976	7,455,852

Characteristics of Business

Motor compressors available around the world are many types but it's recommended the 3 types of widely use for the household market by cooling capability (horse power), characteristics of products, and product applications as follows:

Type	Reciprocating (RE)	Rotary (RO)	Scroll (SL)
Size	1/20 HP to 25 HP	1 HP to 7 HP	1.5 HP to 30 HP
Application	Household refrigerator, Freezer, commercial Refrigerator, ice machine, water cooler, air condition and heat pumps	Small tonnage air conditioner, Room air conditioner, Package air conditioner and heat pumps	Air conditioner and heat pumps
Strength	Machine efficiency, reliability, and durability in high-ambient temperatures. Wide range of HP to be chosen from to suit with various applications	Energy saving and low cost, Twin Rotary types (Similar to Scroll)	Energy saving and high efficiency
Weakness	Noisy and more expensive than rotary type	Moderate cooling efficiency, and unreliable.	Costly and a few manufacturers

Reciprocating and rotary compressors are widely used in household refrigerators, freezer, commercial refrigerator, ice machine, water cooler, and air conditioner.

- **Industrial Overview of Reciprocating Compressors**

Reciprocating compressor is the first type of compressors that have been used for a longer period of time when compared to other types of compressors. Reciprocating compressors offer a wide range of horse power, enabling users to select compressors with appropriate horse power that is suitable with various applications of refrigerators and air-conditioners and also has been developed to be more energy-saving and environmentally-conscious products.

Reciprocating compressors can be divided into hermetic, semi-hermetic, and open types. Hermetic types are mainly used in household refrigerators commercial refrigerators and freezers, while semi-hermetic, and open types are mainly used in commercial refrigeration and air conditioning applications.

Hermetic types dominate the entire reciprocating compressor market. Most hermetic reciprocating compressors are less than 0.5 kW and are used in household refrigerators, freezers, and light commercial refrigeration systems. All major producers now have product portfolios compatible with various refrigerants such as R290, R134a, R404A, R407C, R410A, R507, and R600a, R448, R1234yf, R32

The effects from Global Warming Potential and Worldwide energy saving project reflect to have some changing of the designed parts of motor compressor to serve high efficiency for energy saving and using the environment friendly refrigerants.

However, competition among manufacturers is intense. There is significant on going challenges from Chinese manufacturers. They are the biggest players who hold competitive advantages due to their production capacity and their use of mergers and acquisitions to expand.

- Market Overview of Reciprocating Compressors

Use of reciprocating compressors has been gradually decreasing in the air conditioning industry in parallel with the increased use of scroll, screw, and even rotary compressors. Reciprocating compressors have a large number of parts, which increases their initial cost as well as production expenses. This is another factor behind the declining numbers of reciprocating compressors used in air conditioning equipment. As a result, few hermetic-type reciprocating compressors are used in the global air conditioner market today. And most of these units are produced in the United States of America by major manufacturers such as Tecumseh, Copeland (Emerson), Bristol, and by Kulthorn Kirby as Thailand manufacturer.

Reciprocating compressors are still the standard in the refrigeration sector due to their high reliability and performance under harsh working conditions. Reciprocating compressors also dominate the household refrigerator market. In the commercial and industrial sectors, the main applications are refrigeration for food and perishables, cold storage chains, and process cooling. Despite rising income levels in emerging countries and also the effects of the hot climate n worldwide creating more demand of buying household refrigerators and room air conditioners, the unclear world economic situation and a slightly turndown of China economic growth has slowed demand.

World's Major Hermetic Compressor Manufacturers

Embraco (Nidec)	Brazil, China, Italy, Slovakia
Donper	China
Panasonic	Singapore, China
LG	Korea, China
Tecumseh	Brazil, France, India
Jiaxipera/Huayi/Cubigol	China, Spain
Samsung	Korea, China
Secop	Slovenia, China, Germany, Austria
Kulthorn Kirby	Thailand

Compressor manufacturing industry has a relatively high competition in both domestic and international market. During 2019, even though the production cost including with raw materials were high increasing but the effects from excess production capacity in the world of China manufacturers lead to have a high competition of price reduction. As a result, most of manufacturers including the Company applied strategies to reduce cost and to create a competitive advantage including maintaining close customer relationship, new models offering, and improve production efficiency in order to response customers' demand of higher quality products and cheaper prices.

Marketing and Competitions

Customers of the Company are divided into 3 types, as follows:

(1) Large industrial Original Equipment Manufacturers (OEM) for refrigerators, commercial refrigerators, and air conditioners. The Company supplies products directly to both local and international markets excluding markets in Australia and New Zealand.

(2) Small manufacturers of air conditioners and refrigerators. The Company appoints local distributors to supply its products to local manufacturers but exports directly to the international manufactures.

(3) Spare parts traders.

The Company's key marketing strategy is clearly differentiated among other manufacturers since the Company does not manufacture finished products, such as refrigerators, water coolers, freezers or air-conditioners to compete with its customers. The Company sells its products domestically and internationally, while the domestic sales and international sales is approximately 35% and 65% of total revenues from sales respectively. The Company determines its products prices by considering various factors, such as competitions and customers demand.

Motor compressor of Kulthorn Kirby in the market

Products of Kulthorn Kirby are Hermetic Reciprocation Compressor with have widely displacement to cover all requirement of the market as follows.

Company	Model	Horse Power (HP)	Application	Refrigerant
Kulthorn Premier Company Limited	C–Q	1/8	Refrigeration & Freezer	R134a, R600a
	C-B	1/3	Refrigeration & Freezer	R134a, R600a. R404a, R290
Kulthorn Kirby Public Company Limited	AZ	1/20 – 1/5	Refrigeration & Freezer	R134a
	AZA	1/20 – 1/5	Refrigeration & Freezer	R134a, R600a, R404a, R290, R507
	AE	1/20 – 5/8	Refrigeration & Freezer	R134a, R600a, R404a, R290 ,R507, R1234yf, R22
	AEL	1/3 – 5/8	Commercial Refrigeration	R134a, R600a, R404a, R290, R507, R22
	BA	1/3 – 5/8	Commercial Refrigeration	R134a, R600a, R404a, R290, R507
	CA	1/3 – 5/8	Commercial Refrigeration	R134a, R404a, R290, R507
	WJ	5/8 – 1	Commercial Refrigeration	R134a, R404a, R290, R407c, R22
	AW	1 – 2.5	Residential & Commercial AC	R134a, R404a, R410a, R407c, R448, R22, R32
	KA	3 – 5	Residential & Commercial AC	R22, R404a, R134a
	LA	8 – 10	Residential & Commercial AC	R22, R404A
	Bristol J	3/4 – 4 1/4	Residential & Commercial AC	R22, R407C, R404A, R410A
	Bristol B	1 - 3	Residential & Commercial AC	R22, R407C, R404A, R410A
	Bristol B, A	1-5	Residential & Commercial AC	R404A
	Bristol A	2 1/2 – 6	Residential & Commercial AC	R22, R407C, R404A, R410A

The compressor business has intense competition both locally and internationally. This has been affected excess production capacity in the world of China manufacturers leading to competition over the sales price. Under such circumstance, the Company has employed many strategies in order to respond to customers' needs in terms of prices, develop strong relationship with its customers, productivity improvement, new features offering, as well as reducing the product costs. Pricing of the Company is determined by factors such as changing production costs which can be impacted by fluctuation of costs of steel and copper to aluminum, competitive landscape, and customer order quantity. The Company still faced intense competition when compared with sales prices of China manufacturer and which lead to decrease sales of the company in 2020.

Promotional privileges

The Company has been granted certain promotional privileges according to the Investment Promotion Act B.E. 2520 as approved by the Board of Investment with significant privileges as follows:

	Certificate No. 58-2173-0-00-1-0	Certificate No. 60-1261-1-05-1-0
1. Promotional privileges for	Manufacturing of compressors for electrical appliances	Manufacturing of compressors and/or motors for electrical appliances
2. The significant privileges are		
2.1 Exemption of corporate income tax on net profit from promotional operation which does not exceed 100 percent of investment, excluding land and working capital for a period of 5 years, commencing as from the date of earning operating income. In case that the Company has loss during the exemption of corporate income tax on net income, it can carry forward loss from operations to offset against income after exemption period, for a period of 5 years commencing as from the expiration of exemption period.	From 31 January 2020 until 30 January 2025	-
2.2 Exemption of corporate income tax on net profit from promotional operation which does not exceed 50 percent of investment for productivity improvement, excluding land and working capital for a period of 3 years, commencing as from the date of earning operating income. In case that the Company has loss during the exemption of corporate income tax on net income, it can carry forward loss from operations to offset against income after exemption period, for a period of 5 years commencing as from the expiration of exemption period.	-	Not yet commenced
2.3 Exemption from import duty on raw materials and essential materials imported for use specifically in producing for export for a period of 1 year as from the date of first import.	Granted	Granted
2.4 Exemption from import duty on imported machinery as approved by the Board.	Granted	Granted
2.5 Dividend paid from those investment promoted operations which are exempted from corporate income tax are in turn exempted from inclusion in the determination of income tax.	Granted	Granted
3. Date of first earning operating income.	31 January 2020	Not yet commenced

The Company has to comply with certain conditions and restrictions specified under the promotion certificates.
Sales of the Company amounting to approximately Baht 3,177.6 million for the year ended 31 December 2020 included revenue from manufacturing and sales derived from promoted operations of approximately Baht 858.5 million (2019: Nil).

Business risks

- **Risks associated with costs of raw materials by fluctuation of World selling prices**

The Company engages in the manufacture of motor compressor business, of which major raw materials for production are copper and steel. The prices of major raw materials of the Company and its subsidiaries impact the costs of product approximated 65 of total production cost that mean any changing in the market prices of copper or steel will affect the cost of product and the gross profit rate of the Company.

To prevent the Company from materials sourcing problems, the Company has been sourcing materials from various suppliers, who are able to supply substitute products with comparable quality. Sourcing from a choice of suppliers provide the Company with several positives, including maintaining its competitiveness, enhancing the success of its business operation, reducing a chance of a supply shortage of raw materials, as well as fulfilling the needs of customers of the Company. Furthermore, the Company employs efficient inventory control and monitors closely impacts from the changing market prices.

- **Risks associated with technology**

Motor compressors available around the world are many types but it's recommended the 3 types namely reciprocating, rotary, scroll. Reciprocating and rotary compressors are widely used in household refrigerators, freezer, water cooler, commercial refrigerator and room air conditioners.

Reciprocating compressor is the first type of compressors that have been used for a long period of time. The reciprocating technology also has been developed to be able to run with environmentally-friendly refrigerants. Although the reciprocating type has less energy saving capability, as well as higher manufacturing costs compared with rotary and scroll types, this reciprocating type of compressor is superior to rotary and scroll types in terms of cooling efficiency and durability especially in high ambient temperatures. Given the positives, the reciprocating compressors are well-accepted in a niche market, Middle East and widely used in a general group of customers.

The Company aims to make the product technology and production of motor compressor congruent with market needs and comply with the rules and regulation of refrigerants in relation to environmental issues. The company has an in-house R&D working team and by their efforts and capability many outputs of the developed products can be served to customers' demand relatively compared with other world's leading compressor manufactures.

- **Risks associated with major customers**

For the year 2020, the Group has revenue from two major customers in amount of Baht 1,431 million and Baht 815 million, arising from sales by the compressors and parts segment, enameled wire segment and steel coil center segment (2019: Baht 1,103.3 million and Baht 886.6 million derived from two major customers, arising from sales by the compressors and parts segment, enameled wire segment and steel coil center segment).

However, the company is aware of the risk of reliance on major customers and the impact on the results of operations and the financial position of the company. Because of that, the company has tried to expand its customer base to reduce those risks, gain more customer base in various countries as well as improve the after-sale service to build a strong relationship with customers. Moreover, the company has begun the production process of the new brand name "Bristol" with leading technology in Thailand in which the company bought all the copyrights of Bristol Compressor Company International included all assets and various brands. And also relocated all production bases and technician teams to Thailand. As a result, the company has a comprehensive production lines of a large compressor models from the original maximum power of 10 horsepower to the maximum of 25 horsepower. Focus on the household air conditioner market Commercial air conditioner and the refrigerator market, commercial freezer.

- **Risks associated with trade receivables**

The Group manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. Outstanding trade receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance obtained from reputable banks and other financial institutions. In addition, the Group does not have high concentrations of credit risk since it has a large customer base.

An impairment analysis is performed at each reporting date to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar credit risks. The Group classifies customer segments by customer type and rating, and coverage by letters of credit and other forms of credit insurance. Letters of credit and other forms of credit insurance are considered an integral part of trade receivables and taken into account in the calculation of impairment. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than 210 days and not subject to enforcement activity.

- **Risks associated with a continued loss of the group**

The group had continuously lost by Baht 638.2 million since 2017 due to the changes in industry structure and intense competition of free trade. This was causing pressure on the refrigeration, air conditioners, and freezers industries continuously and lead to a decrease in sales volume. Thus, the company is unable to maintain the financial ratio according to the conditions of the financial institution. Because of that, the group would like to clarify each concern topics and the solutions as following:

<u>Problems in the air conditioner, refrigerators, freezers, and compressors industries in Thailand</u>

The Ministry of Finance announced the duty reduction and exemption of customs duties under Section 12 of the Customs Tariff Decree in 1987. The announcements will be compulsory on 13 Nov. 2017 including a reduction in the tax rate on products derived from importing raw materials into the production, mixing, assembly, packaging, or any other operation in the manner of the industry in the free zone in accordance with the law on Thai customs or in the free trade zone under the law of the industrial estate authority of Thailand which is sold or consumed in the country to reduce the customs duty rate down to the rate of 0 percent.

Manufacturing of refrigerators, air conditioners, freezers, spare parts, refrigeration equipment, and also compressor industry in Thailand has been particularly affected due to products are imported from some countries especially from China. With a high capacity of resources as well as a government that supports and subsidizes exports, China can be able to reduce their costs less than their actual costs resulting in a huge number of products at a much lower price. In consequence, Thailand has signed Bi-Lateral Free Trade Agreement with China due to Thai manufacturers have lost their competitiveness. This arrangement was reducing the import tax between Thailand and China from 60% to 5% which causing Thai air conditioner/refrigerator manufacturers to import ready-made air conditioners from China instead of doing their own manufacturing. The manufacturers also wind-down their factories lead to the industrial compressor in Thailand has lost their customers.

Due to the limit and decrease of markets as concern above, the number of compressor manufacturer in Thailand significantly decrease to less than 9 which means the active manufacturers have produces products below the actual production capacity with an inability to expand their capacity to create an economic scale as China and also improve the process to the automatic production processes is not worth to invest based on company current situation.

Although, the group has an awareness and well understand of their business situation. The group is currently in the process of adjusting and improving its performance. The group has a business plan and holistic management measures as follows:

- Bristol's project in lately 2018, makes the group has wider compressors lines with a highly efficient from 10 hp to 25 hp which can be able to increase the group's gross profit and the group also acquired intellectual property from Bristol company in the United States which results in a significant reduction in research and development processes. In consequence, this new line of compressors allows the group to expand to the new markets included the United States and etc., mainly in packaged air conditioner segment. The new markets will increase the total sales and profits of the group. Even in the state of loss, the company still invested more than 600 million baht to be able to enter the new markets in the United States. Due to in the United States has a higher compressor standard and not a Chinese's manufacturers main target. The project will be ready to distribute in 2021.
- For current products, the group focuses on research and development to obtain a compressor model that can meet the market demand, respond to changes in legal requirements as well as environmental regulations related to refrigerants, and increasing efficiency in terms of energy-saving to make the group's products more competitive in the market by the establishment of Kulthorn Research and Development Co., Ltd., (KRD)
- The group has a short-term policy for production's cost reduction by reducing the cost of raw materials, waste, and consumables used in the factory and other production expenses to improve the operating result.
- In the first quarter of 2020, the group was also affected by the COVID-19 pandemic situation as well as the cancellation of partial orders from customers lead to supply chain of raw materials and parts problems in terms of procurement and logistics. Because of the pandemic, the group has more tightened liquidity which the group tries their best to minimize all of the impacts.

Financial risks

- **Risks associated with currency exchange volatility**

The Group's exposure to the foreign currency risk relates primarily to its trading transactions that are denominated in foreign currencies. The Group seeks to reduce this risk by entering into foreign exchange forward contracts when it considers appropriate. Generally, the forward contracts mature within one year.

As at 31 December 2020 and 2019, the balances of financial assets and liabilities denominated in foreign currencies are summarized below.

	As at 31 December 2020					
	Consolidated financial statements		Separate financial statements		Exchange rate	
Foreign currency	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Buying	Selling
	(Million)	(Million)	(Million)	(Million)	(Baht per one foreign currency unit)	
US dollar	11	9	10	6	29.8674	30.2068
Japanese yen	-	18	-	12	0.2869	0.2945
Euro	-	0.2	-	0.1	36.4949	37.2578
RMB	-	0.3	-	0.3	4.5447	4.6927

	As at 31 December 2019					
	Consolidated financial statements		Separate financial statements		Exchange rate	
Foreign currency	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Buying	Selling
	(Million)	(Million)	(Million)	(Million)	(Baht per one foreign currency unit)	
US dollar	4	9	4	2	29.9767	30.3313
Japanese yen	-	4	-	-	0.2723	0.2796
Euro	-	0.2	-	-	33.3775	34.0846

- **Forward exchange contracts**

The Company had outstanding forward exchange contracts with maturities less than one year as follows:

As at 31 December 2020					
Consolidated and separate financial statements					
	Bought	Sold		Contractual exchange rate	
Foreign currency	amount	amount	Contractual maturity date	Bought amount	Sold amount
	(Million)	(Million)		(Baht per one foreign currency unit)	
US Dollar	0.6	0.5	19 January - 29 June 2021	30.03 - 31.69	29.98 - 30.13

As at 31 December 2019					
Consolidated and separate financial statements					
	Bought	Sold		Contractual exchange rate	
Foreign currency	amount	amount	Contractual maturity date	Bought amount	Sold amount
	(Million)	(Million)		(Baht per one foreign currency unit)	
US Dollar	0.1	3.7	6 February - 19 June 2020	30.79	30.02 - 30.08

Foreign currency sensitivity

The following tables demonstrate the sensitivity of the Group's loss before tax to a reasonably possible change in US dollar exchange rates, with all other variables held constant. The impact on the Group's loss before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives as at 31 December 2020. The Group's exposure to foreign currency changes for all other currencies is not material.

Currency	Change in FX rate	Effect on loss before tax
	(%)	(Thousand Baht)
US dollar	+5	3,769
	- 5	(3,769)

Interest rate risk

The Group's exposure to interest rate risk relates primarily to its long-term borrowings. Most of the Group's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings and enters into interest rate swaps agreement to hedge interest rate risk.

As at 31 December 2020 and 2019, significant financial assets and liabilities classified by type of interest rate are summarized in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

	Consolidated financial statements as at 31 December 2020					
	Fixed interest rates		Floating	Non-		Effective
	Within		Interest	interest		interest
	1 year	1 - 5 years	rate	bearing	Total	rate
						(% per annum)
Financial assets						
Cash and cash equivalents	-	-	5	24	29	0.05 - 0.37
Trade and other receivables	-	-	-	1,096	1,096	-
	-	-	5	1,120	1,125	
Financial liabilities						
Bank overdrafts and short-term loans from financial institutions	3,426	-	125	-	3,551	2.24 - 6.87
Trade and other payables	-	-	-	752	752	-
Lease liabilities	21	31	-	-	52	2.65 - 6.85
Long-term loans	-	-	1,075	-	1,075	THBFTX+3%
	3,447	31	1,200	752	5,430	

(Unit: Million Baht)

	Separate financial statements as at 31 December 2020					
	Fixed interest rates		Floating			Effective
	Within		Interest	Non-interest		interest
	1 year	1 - 5 years	rate	bearing	Total	rate
						(% per annum)
Financial assets						
Cash and cash equivalents	-	-	-	13	13	-
Trade and other receivables	-	-	-	726	726	-
Short-term loans to related parties	30	-	-	-	30	4.25
	30	-	-	739	769	
Financial liabilities						
Bank overdrafts and short-term loans from financial institutions	2,090	-	30	-	2,120	2.24 - 6.87
Trade and other payables	-	-	-	1,127	1,127	-
Short-term loans from related parties	481	-	-	-	481	4.60 - 7.25
Lease liabilities	4	3	-	-	7	2.65 - 6.85
Long-term loans	-	-	1,075	-	1,075	THBFIX+3%
	2,575	3	1,105	1,127	4,810	

Interest rate swap contracts

In November 2017, the Company entered into an interest rate swap contract with a commercial bank for a long-term loan of Baht 850 million in order to change interest calculation from using floating interest rate of THB-THBFIX-Reuters plus 3 percent per annum to fixed interest rate at 4.65 percent per annum, calculated based on the loan principal balance as the agreed schedule.

However, the Company had already terminated the interest rate swap contract with a commercial bank on 29 April 2020, with an early termination fee of Baht 3.3 million.

Interest rate sensitivity

The following table demonstrates the sensitivity of the Group's loss before tax to a reasonably possible change in interest rates on that portion of floating rate loans affected as at 31 December 2020.

Currency	Increase/decrease	Effect on loss before tax
	(%)	(Thousand Baht)
Baht	+1	(10,753)
	-1	10,753

The above analysis has been prepared assuming that the amounts of the floating rate loans from and all other variables remain constant over one year. Moreover, the floating legs of these loans from are assumed to not yet have set interest rates. As a result, a change in interest rates affects interest payable for the full 12-month period of the sensitivity calculation.

- **Commodity price risk**

The Group is affected by the price volatility of certain commodities. Its operating activities require the ongoing purchase and manufacture of electronic parts and therefore require a continuous supply of copper. The Group is exposed to changes in the price of copper on its forecast copper purchases.

- **Liquidity risk**

The Group monitors the risk of a shortage of liquidity through the use of bank overdrafts, bank loans and lease contracts. Approximately 87% of the Group's debt will mature in less than one year at 31 December 2020 (2019: 99%) (the Company only: 86% 2019: 100%) based on the carrying value of borrowings reflected in the financial statements.

The table below summarizes the maturity profile of the Group's non-derivative financial liabilities and derivative financial instruments as at 31 December 2020 based on contractual undiscounted cash flows:

(Unit: Thousand Baht)

	Consolidated financial statements		
	Less than 1 year	1 to 5 years	Total
Non-derivatives			
Bank overdraft and short-term loans from financial institutions	3,552,550	-	3,552,550
Trade and other payables	751,507	-	751,507
Lease liabilities	24,014	33,558	57,572
Long-term loans	413,347	697,512	1,110,859
Total non-derivatives	4,741,418	731,070	5,472,488
Derivatives			
Derivative liabilities: gross settled			
Cash inflows	2,303	-	2,303
Cash outflows	(2,792)	-	(2,792)
Total derivatives	(489)	-	(489)

(Unit: Thousand Baht)

	Separate financial statements		
	Less than 1 year	1 to 5 years	Total
Non-derivatives			
Bank overdraft and short-term loans from financial institutions	2,120,544	-	2,120,544
Trade and other payables	1,127,025	-	1,127,025
Short-term loans from related parties	482,926	-	482,926
Lease liabilities	3,975	3,650	7,625
Long-term loans	413,347	697,512	1,110,859
Total non-derivatives	4,147,817	701,162	4,848,979
Derivatives			
Derivative liabilities: gross settled			
Cash inflows	2,303	-	2,303
Cash outflows	(2,792)	-	(2,792)
Total derivatives	(489)	-	(489)

The Group has entered into negative pledge memorandums, which are part of the short-term credit facility agreements with 3 financial institutions. Under the agreements, the Group is required to comply with certain conditions including maintaining interest bearing debt to EBITDA plus extraordinary item and non-cash items ratio not exceeding 5:1 for the consolidated financial statements and debt to equity ratio for the consolidated financial statements not exceeding 2.75:1. The Group is not allowed to dispose, transfer, mortgage or provide any lien on their assets, both existing and to be acquired in the future, except to use as collateral for the syndicated loan to pay off the debt to those financial institutions.

During the year 2020, the Group entered into the Amendment Agreement to the Credit Facility Agreement to extend the repayment period of the outstanding principal for one year, starting from 31 March 2020. Therefore, the financial maturity date of the loan which had been drawn down in 2016 and 2018 shall be repaid within the year 2022 and 2024, respectively.

The loan is subject to interest at the rate with reference to THBFIX+3%, and interest is to be paid on a monthly basis.

Under the loan agreement, the Group has to comply with certain conditions including maintaining interest bearing debt to EBITDA plus extraordinary item and non-cash items ratio for the consolidated financial statements not exceeding 5:1 and debt to equity ratio for the consolidated financial statements not exceeding 2.75:1, based on the financial statements as at 30 June and 31 December.

As at 31 December 2019, the Group was unable to maintain interest bearing debt to EBITDA plus extraordinary item and non-cash items ratio and debt to equity ratio as specified in the Credit Facility Agreement, resulting in the long-term loan becoming payable on demand. The Group therefore classified total balance of loan as current portion due within one year. The classification of such liabilities as at 31 December 2019 to current liabilities is in accordance with Thai Financial Reporting Standards.

In December 2020, the Group received a waiver letter from three financial institutions, approving a waiver for certain financial conditions including a waiver maintenance of the interest bearing debt to EBITDA plus extraordinary items and non-cash items ratio and debt to equity ratio for the year ended 31 December 2020.

As at 31 December 2020, the Group was able to comply with all conditions as specified in the waiver letter and the loan agreement.

The above long-term loans from financial institutions are secured by mortgage of the Group's properties and plant thereon.

The Company's information

Kulthorn Kirby Public Company Limited

Head Office / Factory	:	126 Soi Chalong Krung 31, Chalong Krung Road, Khwaeng Lam Pla Thio, Khet Lat Krabang, Bangkok 10520 Tel : +66 (0)2326 0831, +66 (0)2739 4893 Fax : +66 (0)2326 0837, +66 (0)2739 4892 E-mail : kkc@kulthorn.com http : //www.Kulthorn.com
Nature of Business	:	Manufacturer of Reciprocating Compressors for Refrigeration and Air conditioning Products
Registered No.	:	0107537002150
Registered Capital	:	Baht 1,500 Million
Paid up Capital	:	Baht 1,500 Million
Issued Shares	:	Ordinary 1,500,000,000 Shares, Par Value at Baht 1/share

Subsidiary Companies

1. Kulthron Premier Company Limited

Head Office/Factory	:	446/3 Moo 9, Nong Kee,Kabin Buri, Prachin Buri 25110 Tel : +66(0)3720 4835-41 Fax : +66(0)3720 4844
Branch		129 Soi Chalong Krung 31, Chalong Krung Road, Khwaeng Lam Pla Thio, Khet Lat Krabang, Bangkok 10520 Tel : +66(0)2326 0612 Fax : +66(0)2326 0802
Nature of Business	:	Manufacturer of Reciprocating Compressor
Issued Shares	:	Ordinary 12,600,000 shares, Par Value at Baht 100/share
Shareholding by KKC	:	100%

2. Kulthron Kirby Foundry Company Limited

Head Office/Factory	:	1 Moo 22 Suwintawong Road, Saladaeng, Bang Nam Priao,Chachoengsao 24000 Tel : +66(0)3859 3016-9 Fax : +66(0)3859 3015
Branch	:	42/2 Moo 1, Suwintawong Road, Klong Udom Cholajorn, Amphur Muang, Chachoengsao 24000 Tel : + 66(0)3884 6072-4 Fax : +66(0)3884 5677
Nature of Business	:	Manufacturer of Quality Iron Casting
Issued Shares	:	Ordinary 5,750,000 shares, Par Value at Baht 100/share
Shareholding by KKC	:	100%

3. Kulthorn Steel Company Limited

Head Office/Factory : 124 Soi Chalong Krung 31, Chalong Krung Road, Khwaeng Lam Pla Thio, Khet Lat Krabang, Bangkok 10520,
Tel : +66(0)2326 0851 Fax : +66(0)2326 0766

Nature of Business : Steel Coil Center

Issued Shares : Ordinary 4,000,000 shares, Par Value at Bath 100/share

Shareholding by KKC : 100%

4. Kulthorn Materials and Controls Company Limited

Head Office/Factory : 1/2 Moo 22 Suwintawong Road. Saladang, Bangnumpreaw, Chachoengsao 24000
Tel : +66(0)3859 3030-3 Fax : +66(0)3859 3028

Nature of Business : Manufacturer of Enameled Copper Wire and Thermostat used in refrigerators

Issued Shares : Ordinary 6,500,000 shares, Par Value at Bath 100/share

Shareholding by KKC : 100%

5. Kulthorn Metal Products Company Limited

Head Office/Factory : 60 Moo 6 Lam Pakchee, Nong Jork, Bangkok 10530
Tel : +66(0)2739 6638-9, +66(0)2326 0314-7
Fax : +66(0)2739 6643, +66(0)2326 0318

Issued Shares : Ordinary 1,500,000 shares, Par Value at Bath 100/share

Shareholding : 100% by Kulthorn Materials and Controls Co., Ltd

6. Suzhou Kulthorn Magnet Wire Company Limited

Head Office/Factory : 18 Long Pu Road, SIP, Jiangsu Province, 215126 China
Tel : 86 (512) 6283 3750 / 86 (512) 6265 0058
Fax : 86 (512) 6283 3763a

Nature of Business : Manufacturer of Enameled Copper Wire

Issued Shares : Ordinary 347 shares, Total Capital USD 24,185,000

Shareholding : 100% indirectly held by Kulthorn Materials & Controls Co., Ltd.

7. Kulthorn Research and development Company Limited

Head Office / Factory : 126 Soi Chalong Krung 31, Chalong Krung Road, Khwaeng Lam Pla Thio, Khet Lat Krabang, Bangkok 10520
Tel : +66 (0)2326 0831, +66 (0)2739 4893
Fax : +66 (0)2326 0837, +66 (0)2739 4892

Nature of Business : Research & Development for motor compressors and related products

Issued Shares : Ordinary 500,000 shares, Par Value at Bath 100/share, and 25% paid up

Shareholding by KKC : 100%

Other References

Registrar :

Thailand Securities Depository Co., Ltd.
93 The Stock Exchange of Thailand Building,
Ratchadaphisek Road, Dindeang, Bangkok 10400
Tel. +66 (0)2009 9000 Fax. +66 (0)2009 9001

Auditor :

Mrs. Sarinda Hirunprasurtwutti, Certified Public Accountant no. 4799 and/or

Ms Siriwan Suratepin, Certified Public Accountant no. 4604 and/or

Mr Wichart Lokatekrawee, Certified Public Accountant no. 4451

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52/3 Phrasumene Road, Khwaeng Chana Songkram,
Khet Phra Nakhon, Bangkok 10200
Tel. +66 (0)2282 2955-6 Fax. +66 (0)2281 3008

Shareholders

Major Shareholders

List of major shareholders (shareholding in excess of 0.50%)

As of the registered increasing shares date 29 May 2020

		Number of Shareholding	%
1.	Simakulthorn Group	953,216,310	63.548
2.	Heatcraft Subco Pty Ltd.	65,255,000	4.350
3.	State Street Europe Limited	52,800,800	3.520
4.	Ms U-rai Khemumnaj	50,304,332	3.354
5.	1st Lt Supakorn Chantasasawat	49,694,818	3.313
6.	Mr Thaweechat Jurangkul	36,800,000	2.453
7.	UBS AG Singapore Branch	26,523,929	1.768
8.	Ms Sasi Ingkanant	23,651,689	1.577
9.	Mrs Supatra Kumtien	19,074,902	1.272
10.	Ms Pojanee Khemumnaj	18,539,241	1.236
11.	Mr Wiboon Sereeyothin	7,893,300	0.526
12.	Others	196,246,479	13.083
	Total	**1,500,000,000**	**100.000**

Dividend Payment Policy

By the dividend policy of the company, in the normal case, the Board of Directors may propose the shareholder meeting to consider the dividend payment of the year at the rate approximately 60 % of the net profits after tax of the company statements.

For subsidiary companies, Board of Directors of each company may propose the shareholder meeting to consider the dividend payment of the year of the net profits after tax of the company statements.

Company paid the dividend in the current 5 years as follows

	2020	2019	2018	2017	2016
Net profit per share (Baht)	(0.300)	(0.953)	(0.530)	0.030	0.204
Dividend per share (Baht)	-	-	-	0.05	0.10
Dividend payment/net profit (%)	-	-	-	166.76	49.02

Management Structure

The Board of Director as of 31 December 2020

	Name	Position	Shareholding (%)
1.	Mr Sumeth Simakulthorn*	Chairman/Acting Managing Director	3.720
2.	Mr Sutee Simakulthorn*	Director	2.142
3.	Mr Titisak Simakulthorn*	Director	0.483
4.	Mr Abhijit Simakulthorn*	Director	0.483
5.	Mr Praphad Phodhivorakhun*	Director	-
6.	Mr Kanok Suriyasat	Director	-
7.	Mr Surath Pralongsil*	Director	-
8.	Mr Tawatchai Jaranakarun	Independent Director and Chairman of Audit Committee	0.00009(1)
9.	Mrs Benjawan Ratanaprayul	Independent Director and Member of Audit Committee	-
10.	Vice Admiral Naruedom Sa-ardyen RTN.	Independent Director and Member of Audit Committee	-
11.	Mr Somlak Jiamtiranat	Independent Director	-

Directors resigned before the expiration of the term of office.

- Mr Padoong Techasarintr (1 June 2020)
- Mr Prasan Tanprasert* (1 June 2020)
- Mr Suraporn Simakulthorn* (The expiration of the term of office on 22 July 2020)

* Authorized Director
(1) shareholding by the spouse

The Audit Committee

As at 31 December 2020

1. Mr Tawatchai Jaranakarun — Chairman of the Audit Committee
2. Vice Admiral Naruedom Sa-ardyen RTN** — Member of the Audit Committee
3. Mrs Benjawan Ratanaprayul — Member of the Audit Committee

** The director who have adequate expertise and experience to review creditability of the financial reports.

The Management as of 31 December 2020

	Name	Position
1.	Mr Sumeth Simakulthorn	Chairman/Acting Managing Director
2.	Mr Titisak Simakulthorn	Executive Vice President (Marketing)
3.	Mr Surath Pralongsil	Executive Vice President (Finance)
4.	Mr Somchai Chaiyasit	Executive Vice President (Manufacturing)
5.	Mrs Supanee Chantasasawat	Executive Vice President (Administration)
6.	Ms Penpak Assarat	Manager (Finance Division)
7.	Ms Narin Sakwichit	Assistant Accounting Manager

COMPANY SECRETARY : Mrs Supanee Chantasasawat

The Board of Directors Meeting No. 5/2020 held on 12 June 2020 appointed Mrs Supanee Chantasasawat to be Company Secretary, effective as from 12 June 2020.

Investor Relations

The Company realizes that its information, both financial and non-financial, affect the decision-making process for investors and stakeholders. Therefore the management values accurate and full disclosure in a regular and timely manner, in accordance with SEC and SET regulations.

The Investor Relations department is not yet set up due to a few concerned activities then the Company assigned Mrs Supanee Chantasasawat to communicate with investors, shareholders and stakeholders, and all investors can contact to the company by Website www.kulthorn.com Tel. +66(0)2326-0831, +66(0)2739-4893
Fax +66(0)2326-0837, +66(0)2739-4892 E-mail : companysecretary@kulthorn.com

Remuneration to the Company's Executives in year 2020

To Directors

Remuneration to company's directors and members of the audit committee as meeting allowance was Baht 81,000.

To Management

Remuneration to the Management, excluding the Finance Division Manager and the Accounting Department, Assistant Manager for 5 persons in terms of salary and bonus was Baht 9,039,050.90 together with the contribution for Provident Fund of Baht 378,509.04

Directors in subsidiaries companies

As at 31 December 2020

1) Kulthorn Premier Company Limited (KPC)

1.	Mr Sumeth Simakulthorn	Chairman
2.	Mr Sutee Simakulthorn	Managing Director
3.	Mr Titisak Simakulthorn	Director
4.	Mr Surath Pralongsil	Director
5.	Mrs Supanee Chantasasawat	Director

2) Kulthorn Kirby Foundry Company Limited (KKF)

1.	Mr Sumeth Simakulthorn	Chairman
2.	Mr Sutee Simakulthorn	Managing Director
3.	Mr Abhijit Simakulthorn	Director
4.	Mr Titisak Simakulthorn	Director
5.	Mr Surath Pralongsil	Director

3) Kulthorn Steel Company Limited (KSC)

1.	Mr Sumeth Simakulthorn	Chairman
2.	Mr Sutee Simakulthorn	Managing Director
3.	Mr Titisak Simakulthorn	Director
4.	Mr Surath Pralongsil	Director
5.	Mrs Supanee Chantasasawat	Director

4) Kulthorn Materials and Control Company Limited (KMC)

1.	Mr Sumeth Simakulthorn	Chairman
2.	Mr Sutee Simakulthorn	Managing Director
3.	Mr Somchai Chaiyasit	Director
4.	Mr Titisak Simakulthorn	Director
5.	Mr Surath Pralongsil	Director

5) Kulthorn Metal Products Company Limited (KMP)

1.	Mr Sumeth Simakulthorn	Chairman
2.	Mr Sutee Simakulthorn	Managing Director
3.	Mr Titisak Simakulthorn	Director
4.	Mr Surath Pralongsil	Director
5.	Mrs Supanee Chantasasawat	Director

6) Suzhou Kulthorn Magnet Wire Company Limited (SKMC)

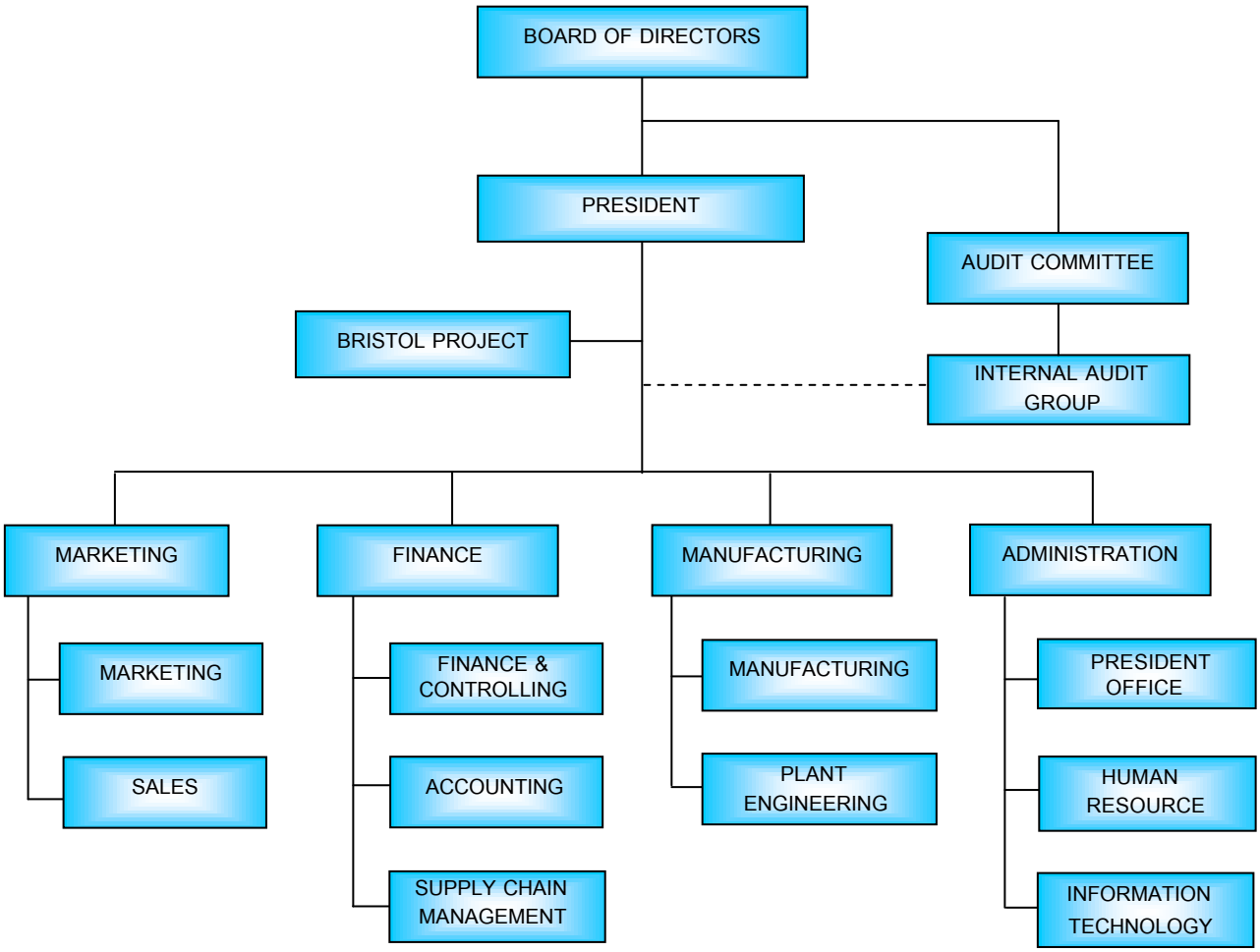
1.	Mr Suraporn Simakulthorn	Chairman and Managing Director
2.	Mr Sutee Simakulthorn	Director
3.	Mr Titisak Simakulthorn	Director
4.	Ms Sunisa Simakulthorn	Director

7) Kulthorn Research and Development Company Limited (KRD)

1.	Mr Sumeth Simakulthorn	Chairman
2.	Mr Titisak Simakulthorn	Managing Director
3.	Mr Sutee Simakulthorn	Director
4.	Mr Surath Pralongsil	Director
5.	Mrs Supanee Chantasasawat	Director

Corporate Governance

Conpany Organization Chart



Corporate Governance

Kulthorn Kirby Public Company Limited ("KKC" or "the Company") is aware of the importance of Good Corporate Governance, which leads to a transparent management system that is able to be audited in order to maintain the confidence of shareholders, investors, stakeholders and related persons.

The Board of Directors (BOD) of the Company has prepared the Corporate Governance Policy and Business Ethics as guidance for the operation of the business and to provide guidelines for management and employees, as follows :

1. Rights of Shareholders

The Company emphasizes and recognizes the importance of the rights of all shareholders equitably. The rights that the Company provides for its shareholders as fundamental are as follows:

- **Rights to get share certificate, sell, purchase or transfer the Company's shares**

  Thailand Securities Depository Co., Ltd. ("TSD") has been appointed as the Company's registrar to provide all services for all transactions related to registration of the Company's shares

- **Rights to propose agenda and enquiries for the Shareholders' Meeting**

  The Company is aware of the shareholders' rights and equitable treatment to the shareholders under the good corporate governance. It's the Company policy to allow the shareholders to propose matter(s) for consideration of the Board of Directors as agenda of the shareholders' meeting. The shareholders are allowed to submit any enquiries prior to the Annual General meeting of shareholders. Shareholders who would like to propose the agenda have to comply with the Company's procedures and criteria of the above matter. The Company allow the shareholders to propose the matter for consideration as agenda or submit the enquiries in advance since October of the current year to January of the next year and has specified the shareholding proportion of the shareholders entitled to propose the agenda must not be less than 0.5 percent of total number of the voting rights. The Company will notify and disclose contact channels and period for proposing agenda and enquiries via SET and also provide details of the procedures on the company' website (www.kulthorn.com).

- **Participation in the Shareholders' Meeting.**

  The Company is aware of the shareholders' rights and equitable treatment to participle in the shareholder's meeting, be informed conditions and procedures of meeting as well as having proxy to vote and comment in the meeting on behalf of the shareholders. The date, time and place of meeting will be set by consideration of Shareholders' convenience with the following process of meeting:

  <u>Before the Meeting Date</u>

  The shareholders will be informed on the date and agenda of the meeting via SET's communication system prior to the meeting date which been complied with SET's regulations. At the same time, the Company will also disclose the invitation letter as well as related documents in both languages, Thai and English, on the Company's website no less than 30 days before meeting date for the shareholders to have sufficient time for consideration. Same documents will be directly delivered to the shareholders by TSD, the Company's registrar, at least 7 days or 14 days before the meeting date depends on consideration matter that required by law and regulations. The invitation letter will contain facts, rationales, opinion from the Board of Directors for each agenda, conditions and procedures of meeting as well as other related document with sufficient information for shareholders' consideration. Moreover, the invitation letter will be 3 days continually published on the newspaper at least 3 days prior to the meeting date to be in line with law.

On the Meeting Date

Meeting procedures has been set to conform to regulations and considering on shareholders' convenience. The Company is aware of the equitable of shareholders' right and their comfort to participate in the shareholders' meeting. Appropriated methodology and equipment are sufficient for registration reviewed on required documents prior to commencement of the meeting.

In every Shareholders' Meeting, the Board of Directors, Chairman of all committees, the Company's management and external auditors will also present in the meeting. Chairman of the Board of Directors who is Chairman of the meeting will introduce all Board members and the management to the shareholders. The Chairman will also declare to the shareholders how to exercise their right and vote before commencement and conducts the meeting to be in line with the agenda without any additional topic from what have been expressed in the invitation letter. Voting cards will be provided for significant agenda. Voting result in term of approval, disapproval or abstain for each agenda will be transparently presented to the meeting. The shareholders will be encouraged to express their opinions and raise any questions, either in the agenda or any other questions related to the Company's business, at the meeting. All questions will be answered and taken in the minutes of meeting as well as the opinions from the shareholders.

After the Shareholders' Meeting

Resolutions of the meeting will be disclosed to SET on the next day after the meeting date. Full minutes of meeting of which contained the attendance record of the directors, summary of questions and answers during the meeting with voting details, approved, disapproved and sustained, of each agenda in both Thai & English will be sent to SET and related parties within 14 days after the meeting date as well as posed on the Company's website (www.kulthorn.com) for verification.

- **Appointment / Dismission of Directors of the Company and Approve their Remuneration**

According to the Company's Articles of Association, at the Annual General Meeting of Shareholders, one third (1/3) of the Directors has to be retired by rotation. Election for replacement is required. The retired directors are eligible to be re-elected for another term. And the shareholders have the rights to consider and approve the remuneration for all directors and members of sub-committees. Adequate Information of all candidates for being considered and appointed as directors or members of sub-committees was also delivered for shareholders' consideration.

The election of the Board of Directors shall be in accordance with the rules and procedures as follows:

- Each shareholder shall have one vote on each share.
- In voting, a shareholder shall vote in accordance with the number of votes each shareholder has under (1) for one or several directors. The said shareholder may not allot any number of his votes to any person.
- The person obtaining the highest and higher votes respectively shall be elected as directors equal to the number of directors required or ought to be elected at such a meeting. In the event that persons receiving votes in respective orders receive equal votes and the number of directors exceeds the positions required or ought to be, the chairman of the meeting shall have a casting vote.

Apart from the appointment of Directors, the shareholders also have rights to remove any director from the office before the expiration of his term of office by having votes of no less than three quarters (3/4) of the number of shareholders attending the meeting and having the rights to vote and the aggregate number of shares shall be no less than one half (1/2) of the shares held by all the shareholders attending the meeting and having the rights to vote.

- **Appointment of Auditors and approval of their remuneration**

In every Annual General Meeting of Shareholders, one of the agenda is the appointment of Company's auditors and consideration of their remuneration. The Company will propose name of the auditors with sufficient details and remuneration for consideration of the shareholders

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- **Regularly and timely obtained adequate information, business performance and management policy.**

  The Company concerns on Shareholders' rights and not only disclosed Company's information via SET's communication system but also posed all significant and updated information on the Company's website (www.kulthorn.com).

- **Getting profit.**

  The Company will return profit to its shareholders by way of dividend payment. The Board of Directors of company will propose dividend payment is "no less than 60% of its separated net profit after corporate income tax subject to need for future investment and business plan, future necessity and appropriation. The Company's subsidiary companies have to pay dividend based on the resolution of its Board of Director meeting.

2. Equitable Treatment of Shareholders

The Company realizes to protect and due care for the interests of all major and minor shareholders as fairly basis. In addition, the Company sets policy for equitably treatment to all shareholders for attending and vote in the shareholders' meetings, sharing in profits, obtained adequate information, business performance and management policy. In the shareholders' meeting, each shareholder shall have one vote on each share. Proxy form requiring documents were delivered together with the invitation letter for shareholders who would like to appoint a proxy. Proxy form, which contains detail of voting as approve, disapprove or abstain, as well as details of 2 independent directors also are attached for shareholders consideration as alternative proxy. In addition, voting cards were provided for each agenda, especially, the agenda of appointment of directors of which been appointed by individual. In every shareholders meeting, the meetings were conducted to be in line with the agenda without any additional topic from what have been expressed in the invitation letter otherwise rights of the shareholders who could not participate in the meeting by themselves will be deprived.

The Company will inspect to ensure no inside information of which is material, undisclosed and confidential leak to public or be used from unauthorized for personal benefit. IT system has been implemented for a secure access for all users inside and outside the firewall in conjunction with the Company's own user authentication and security system. It was also set forth in the Company's Corporate Governance Policy to refuse directors, management and employees of the Company to use Company's inside information for personal benefits. The Directors and management of the Company had been informed on their duties and punishment regarding to report on securities holdings of themselves, their spouse and any minor children to the Stock Exchange of Thailand (SET) within 3 days from the transaction date according to the Securities and Exchange Act B.E. 2535. Any change in securities holdings, such directors and managements have to report the Company Secretary for coordination and preparing report submit to the Securities and Exchange Commission (SEC). In addition, the Company has set as a policy to report on securities holdings of directors in every meeting of the Board of Directors.

In case of conflict of interest, it is the Company's Policy to have the directors, management, employees and related parties to disclose such interests to the Audit Committee for consideration of the transaction to be complied to SET's regulations and any governing laws and regulations prior to further submit for consideration of either the Board of Directors or the shareholders. The directors who have conflict of interest will not participate in any agenda that they have conflict of interest. Moreover, any conflict of interest transactions with the connected persons will be disclosed in the Company's Annual Report and the Annual Information Disclosure (56-1).

General practices for conflict of interest protection have been set in the Company's Business Ethics. Such practices have been delivered to all directors, management and employees.

3. Roles to Stakeholders

The support from each stakeholder should increase the competitiveness and ability to generate more benefit for long-term succession. The Company realized the importance of all stakeholders i.e. shareholders, employees of the Company and its subsidiaries, customers, competitors, lenders, societies and environment. Thus, general rules and practices have been set for directors, management and employees in the Company's Business Ethics for directors, managements, and employees to perform and disclosed on the Company's website (www.kulthorn.com) as well as providing more channels for the stakeholders to contact directly to the Company in order to provide either comments or recommendations which will be benefit to the Company.

4. Disclosure and Transparency

The Company has strong determination to reveal accurate complete, consistent and updated information, both financial and general information that related to Company's business. The Complete, consistent and updated information will truly reflect Company's financial performance and future business direction. Such information were disclosed to shareholders, investors and any related parties via SET's Communication system, Company's website (www.kulthorn.com), press release and Company's Annual Report as well as participated in the "Opportunity Day" which arranged by SET.

The Board of Directors has to ensure that the Company's disclosures are transparency and strictly complied by laws, Company's and any related regulations. The Board has Major concerned on transparency and disclosure in the following area:

- **Provide multi channels for disclosure of information**

Annual Report and Form 56-1

The Board of Directors has to ensure that Annual Report / Form 56-1 contained adequate information with accuracy, clarity and could create understanding to the shareholders and related parties on the Company's operation and its performance for the previous year as well as the management structure, performance of the Board of Directors and all Committees.

Company's website

The Board of Directors is aware of the efficiency of website disclosure to the shareholders and related persons as well as equitably and easily of getting information. The Board of Directors therefore ensure the Company not only provide all significant information of the Company in the Company's Annual report but also on the Company's website (www.kulthron.com) in both languages, Thai and English. The disclosed information comprised of Corporate Governance Policy, Business Ethics, General News, Financial Statement as well as Annual Report and the Annual Disclosure Information (56-1), etc.

Investor Relations

The Company realizes that its information, both financial and non-financial, affect the decision-making process for investors and stakeholders. Therefore the management values accurate and full disclosure in a regular and timely manner, in accordance with SEC and SET regulations.

The Investor Relations department is not yet set up due to a few concerned activities then the Company assigned Mrs Supanee Chantasasawat, the company secretary to communicate with investors, shareholders and stakeholders, and all investors can contact to the company by Website www.kulthorn.com

Tel. +66(0)2326-0831, +66(0)2739-4893 Fax +66(0)2326-0837, +66(0)2739-4892

E-mail: companysecretary@kulthorn.com

- **Disclosure of Information of the Board of Directors and the Audit Committees**
  - Structure, Roles and Responsibilities of the Board as well as performance of the Board of Directors and the Audit committee.
  - Directors and Management's Remunerations: Policy of Directors' Remuneration has been clearly and transparently set to be comparable to the general practice in same industry and be appealing enough to attract and retain qualified directors. The directors who also be appointed to be the member of any sub Committees will be paid appropriately more in accordance with the extra work. The Board of Directors will consider the remuneration and propose for approval from the meeting of shareholders. The remuneration of the Board of Directors, the Audit Committees and the Management have been disclosed in the Company's Annual Report and the Annual Information Disclosure (56-1)
- **Accountability to the Financial Statement**

  The Board of Directors is responsible for the Company's consolidated financial statements and any financial information which been disclosed in the Company's annual report. Such financial statements were prepared in accordance with the general acceptance-accounting standard in Thailand with appropriated financial policy. The reports were carefully considered and prepared with sufficient information in the notes to the financial statements. The financial statements have been audited and commented independently by the authorized auditors of SEC.

  The Board of Directors also set out and maintained for the efficiency of the Company's internal control system to ensure that the financial information had been correctly and accurately booked and sufficient to maintain the Company's assets and be aware of weak point in order to prevent whether from any dishonesty or significant error. The Board of Directors had appointed the Audit Committee of which comprised independent directors to be responsible for the quality of the financial statements and the internal control system and disclosed such opinion in the Annual Report under the Report of the Audit Committee. The opinion of the Audit Committee has already been disclosed in the annual report. Moreover, Report of the Board of Directors' responsibility on the Company's Financial Statements was also attached in the Company's Annual Report.

5. Roles and Responsibilities of the Board of Directors

5.1 Composition

The Board of Directors has at least 4 members, and there are 11 members at the present.

The Board consists of Chairman, and other member of directors. The Board composed of independent directors with at least one-third of total numbers and shall at least 3 members. No less than one half of the total number of directors shall have residence within the Kingdom.

5.2 Qualifications

1. Has qualifications which comply to Public Company Act B.E. 2535, regulations of the Stock Exchange of Thailand, Securities and Exchange Commission, and Company's Articles of Association and any other related laws.
2. Does not run any business, which is competed with the Company, and not being a shareholder of any legal entities whose business is the Company's competitors except obtained approval from the shareholders.
3. Having leadership, vision, and independent consideration for best benefit of the Company and the shareholders.
4. Having various knowledge, experience, and specific skill that suitable for the Company business.
5. Having Integrity.
6. Having sufficient time for fully participated as a Director of the Company.

Qualifications of Independent Director (With a higher standard than the regulations of the Security Exchange of Thailand)

1. Shall not hold shares exceeding 0.5% of the total number of voting shares of the Company, its parent company, subsidiary, associated company, major shareholder or controlling person including shares held by related persons of such independent director.
2. Shall neither be nor have ever been a director with management authority, employee, staff member, advisor who receives a salary or be a controlling person of the Company, its parent company, subsidiary, associated company, same level subsidiary, major shareholder or controlling person unless the foregoing status ended not less than 2 years prior to the date of appointment to be an independent director.
3. Shall not be a person related by blood or legal registration as father, mother, spouse, sibling, or child, including spouse of child, of an executive, major shareholder, controlling person or person to be nominated as executive or controlling person of the Company or its subsidiary.
4. Shall neither have nor have ever had a business relationship with the Company, its parent company, subsidiary, associated company, major shareholder or controlling person, in a manner that may interfere with his/her independent judgment, and neither be nor have ever been a significant shareholder or controlling person of any person having a business relationship with the Company, its parent company, subsidiary, associated company, major shareholder or controlling person, unless the foregoing status ended not less than 2 years prior to the date of appointment to be an independent director.

   The term 'business relationship' in the preceding paragraph shall include any normal business transaction, rental or lease of immovable property, transaction relating to assets or services, or grant or receipt of financial assistance through receiving or extending loans, guarantee, providing assets as collateral, including any other similar actions which result in the Company or its counterparty being subject to indebtedness payable to the other party in the amount of 3 % or more of the net tangible assets of the Company or Baht 20 million or more, whichever is lower.
5. Shall neither be nor have ever been an auditor of the Company, its parent company, subsidiary, associated company, major shareholder or controlling person, and shall not be a significant shareholder, controlling person or partner of an audit firm which employs auditors of the Company, its parent company, subsidiary, associated company, major shareholder or controlling person, unless the foregoing status ended not less than 2 years prior to the date of appointment to be an independent director.
6. Shall neither be nor have ever been a provider of any professional service including legal advisor or financial advisor who receives service fees exceeding Baht 2 million per year form the Company, its parent company, subsidiary, associated company, major shareholder or controlling person, and shall not be a significant shareholder, controlling person or partner of the office of professional service provider, unless the foregoing status ended not less than 2 years prior to the date of appointment to be an independent director.
7. Shall not be a director appointed as representative of the director of the Company, the major shareholder or any other shareholder who is related person to the major shareholder.
8. Shall not undertake any business in the same nature and in competition with the business of the Company or its subsidiary, or shall not be a significant partner in a partnership, or an executive director, employee, staff member, advisor who receives a salary, or holds shares exceeding 1% of the total number of voting shares of another company which undertakes business in the same nature and in competition with the business of the Company or its subsidiary.
9. Shall not have any other characteristic that limits his/her ability to express independent opinions regarding the Company's business operations.

After having been appointed as an independent director with qualifications complying with the criteria under 1 to 9, the independent director may be assigned by the Board of Directors to take part in the business decisions of the Company, its parent company, subsidiary, associated company, major shareholder or controlling person, on condition that these actions must be collective decision and it's not mean that the independent director do a part of management.

Furthermore, in case of the amendnent of Independent Director's qualifications which announced by the Board of Capital Market Supervisory or the Securities and Exchange Commission, such amendment will be complied.

5.3 Terms of positions

Pursuant to the Public Company Acts B.E. 2535, at first Annual General Meeting of Shareholders after the registration of the Company and at the first Annual General Meeting of Shareholders in every subsequent year one-third of the directors, who have been longest in office, shall retire. The retired directors are eligible to be re-elected for another term by obtaining majority approval from the Board of Directors and the Shareholders of company.

5.4 The Independent of the Board of Directors

5.4.1 Separation of CEO and President

For best benefit of the shareholders and to strike a balance of power within the Company, the positions of Chairman of the Board of Directors and President must not be attained by the same person. Roles and responsibility of the management have been clearly classified.

5.4.2 Balance between members

More than half of the members of the Board of Directors are not a part of executive team. Within this half, one third of the directors at least 3 members are independent and have no relations, business or personal, with the Company's executives. Free from executives' influences, they oversee the Company's direction with neutrality and pay careful attention to the rights of shareholder and stakeholder and to strike a balance of power within the Company.

5.4.3 Separate Roles and Responsibilities of the Board of Directors and President

The Board of Directors must take part in setting out the Company goals and carry out all the policies with an objective to optimize benefits to all shareholders and stakeholders without an obligation to personal benefits or any particular party. They must avoid all actions that may cause conflicts of interest between companies within the same umbrella. They have to operate the business with morality, responsibility, due care and integrity, as well as supervise the management to comply with Company's Objectives, Articles of Association, resolutions of the Board of Directors and shareholders' meeting along with rules and regulations stated by The Stock Exchange of Thailand and Office of the Securities and Exchange Commission (SEC). Their duties include:

1. Conduct business with responsibility, due care, and integrity uphold the duties according to the law, and Company's objectives, Articles of Association, resolutions of the Board of Directors and shareholders' meeting
2. Formulate policies and directions for the Company's operations. The Board must also supervise managerial and administrative departments to deliver all policies with effectiveness and efficiency
3. Consider and approve the Company's investment and annual budget
4. Appoint directors and Committee members to replace of those who will retire by rotation as well as consider the remuneration package for such directors and committee members, prior to propose for further consideration of the shareholders
5. Appoint audit committees to oversee administrative process and internal system to coincide with Company's policies, and propose to the Board of Directors prior to propose for further consideration of the shareholders

6. Appoint and consider remuneration package for top executives of the Company and appoint Company Secretary.
7. Summarize Profit & Loss Statement and Statement of Financial Position of the Company for every fiscal year's ended period. Authorize the statements and present them during the Annual General Meeting of Shareholders for further consideration
8. Nominate appropriated persons with remuneration for further consideration, proposed from the Audit Committee, and approval of shareholders for the appointment of the Company's auditors
9. Ensure the Company's to have written Corporate Governance Policy and Business Ethic as well as to ensure that there will be no conflicts of interest at the same time to establish systematic plans for internal control and risk management
10. Ensure that good corporate governance is implemented to demonstrate Company's commitment to operate the business with ethics and to bring fair treatment to all stakeholders
11. In case of entering into any direct or indirect transaction with the Company and subsidiaries, such director has to immediately inform his/her or related parties' personal interest to the Company
12. In case of holding the company's securities, such director has to immediately inform his/her changing of his/her holding of the company's shares.

Duties and responsibilities of the Chairman of the Board

1. To be responsible as the leader of the Board of Directors to oversee, monitor and supervise the operations of the Management and the Audit Committees to make them achieve the objectives pursuant to the specified plan
2. To act as the Chairman of the Board of Directors' meeting and the Shareholders' meeting
3. To have a casting vote in case the Board of Directors' meeting has a tie vote.

Roles and Responsibilities of President

Roles and responsibilities of the management have been clearly classified. The President will be the chairman of the management in terms of running the business of which will cover the following roles:

1. General operation management and control in business of the Company to comply with its objectives, policy and the Articles of Association
2. Consideration in business investment plans prior to propose to the Board of Directors for further approval in case of the over limit amount from the assigned authority.
3. Entering into any transaction binding the Company conforming to the Company's Delegation of Authorities
4. Carry out any assignment from the Board of Directors and/or the shareholders of the Company.

The delegation authorities of the President should not be delegated or further assigned that authorize the President or its attorney to approve any connected transactions between themselves or any persons who may have conflict of interest (according to the concept of conflict of interest of the Securities Exchange Commission's notification) with the Company or subsidiaries except such transactions are handled in line with the connected transaction procedure or policy which been approved by the Board of Directors of the Company shareholders' meeting to be complied to regulations of SET/ SEC or any related laws and regulations.

5.5 Transparency of Nomination

The Board of Directors select, and nominate appropriate candidates for positions of Chairman of the Board, members of the Board, the Audit committee and the President as well as consider the appropriate remuneration for such directors. In the case of a vacancy in the board of directors for reasons other than retire by rotation, the Board of Directors will elect a person as the substitute director. The resolution of the Board of

Directors shall be by a vote of not less than 3/4 of the number of directors remaining. In case of a vacancy due to directors retire by rotation, the Board of Directors will select and nominate a person to Shareholders Meeting electing for director who shall obtain majority vote form shareholders who attend the meeting and have voting right. For election of independent directors, the Board of Directors will nominate any person who is fully complied with the qualifications of Independent Directors under the company's policy as well as complying to such requirements of SEC/SET as a minimum. Moreover, the Board of Directors of the Company has also appointed the Audit Committee's members to help the Board of Directors on its business either audit or consideration any significant matters.

Executive Succession Plan

The Company is aware of the importance of executive succession plan when any executive position is vacant. In order to create confidence for investors, shareholders and employees on the continuity operation of the Company, an Executive Succession Plan has been considered. The potential candidate will be selected, trained and developed to be ready to accommodate the vacant position in the future.

5.6 Directors' Remuneration

Policy of Directors' Remuneration have been clearly and transparently set to be comparable to the general practice in same industry and be appealing enough to tract and retain qualified directors. The directors who also be appointed to be the member of any sub Committees will be paid appropriately more in accordance with the extra work. The Board of Directors will consider the remuneration and propose for approval from the shareholders. The directors' remuneration by individual has been disclosed in the Company's annual information disclosure (Form 56-1) and the Annual Report.

5.7 Accountabilities of the Board of Directors

5.7.1 Set Policy and Business Direction

The Board of Directors involved and agreed on setting out the Company's vision, mission, Corporate Governance Policy, Business Ethics, strategies, goal, direction, business plan, budget, internal control and internal audit systems, including risk management . The Board has to ensure that the management had efficiently followed the Company's business plan and budget for profitability and economic value to the Company as well as for best stability to the shareholders. In addition, the Board of Directors has not only to ensure the Company and its management to oversee the value of all stakeholders, neither derive personal benefit nor create any rivalry with the Company and its subsidiaries, but also conducted the business with great awareness in ethical, moral and compliance to the Company's Articles of Associations as well as laws and regulations of the SET and the SEC.

5.7.2 Set up of Committees

For governing the management to comply with the approved policies and having better efficiency, the Board of Directors appointed the Audit committee to help the Board for consideration in significant matters.

The Audit Committee's members have to be the independent directors who were elected by the Board of Directors and proposed for the Company's Board of Directors' and/or the shareholders' approval. The Audit Committee has at least 3 members.

Qualifications of Audit Committee

1. Has been appointed from the Board of Directors and/or the shareholders
2. The Members of the Audit Committee have to be the Independent director qualification from the SEC
3. Not being a person who has been empowered by the Board of Directors for any decision in the business operation of the Company, Parent Company, Subsidiary or affiliated Companies, Same-Level of Subsidiaries as well as any juristic person, major shareholder, or controlling person of the Company

4. Not being a director in parent Company Subsidiaries and any same-Level of subsidiaries which is a listed Company
5. Having sufficient knowledge, experience, and time to perform duties as the Audit Committee members
6. At least one member of the Audit Committee should have sufficient knowledge and experience to review the financial statement credibility and the Company has to put his/her name in the filing of 56-1 form and annual report. In addition, such qualification also has to be put in the committee certified letter which will be submitted to SET.

Term of the Audit Committee member is 3 years. The retired directors are eligible to be re-elected for another term by obtaining approval from Board of Directors and/or the Company's Shareholders.

Roles and Responsibilities of the Audit Committee

1. Review the Company's financial statement to ensure its accuracy and adequacy
2. Ensure that the Company has an appropriate and efficiency internal control, internal audit system, and consider the independence of the internal audit as well as to appoint, rotate or dismiss chief of internal audit of the Company or any other related function who takes responsibilities to internal audit
3. Ensure that the Company has complied to the Securities and Exchange Act, regulations of SEC/ SET and any other related regulations
4. Nominate appropriated and independent persons with remuneration for further consideration and approval of the Board of Directors and shareholders for the appointment of the Company's auditors
5. Arrange meeting with auditors without the management of the Company at least once a year
6. Review, comment and ensure that all connected transactions and any other conflict of interest transactions have been complied to laws, and regulations of SET/SEC as well as to ensure that the transactions are reasonable with best benefit to the Company
7. Provide the Audit Committee report for disclosure in the annual report of the Company with minimum contents as required by regulations of SET/SEC
8. Consider any other activities assigned by the Board of Directors.

5.7.3 Board of Directors' Meeting

The Board of Directors' Meeting schedule have been set as quarterly basis with certain agenda. The meeting schedule will be sent to each director by the Company Secretary for preparation and arrangement for meeting participation. To comply with the Company's Articles of Association, unless any urgent matters, the invitation letter as well as meeting materials will be delivered by the Company Secretary to all directors not less than 10 days prior to the meeting date for consideration. However, additional unscheduled Board meetings may be called upon appropriate notice at any time either to address specific needs of the Company or to fulfill requirement of any directors.

5.8 Internal Control / Audit

The Company organized an internal audit department to review compliance control of all departments to investigate the errors and weaknesses and then proposes the suggestions to improve the operational efficiency. This is to ensure the consistent and appropriate compliance with existent internal control as well as strengthen the confidence of management and stakeholders. This department is independent and reports directly to the Audit Committee. The Company organized that good internal control allows the Company to notice irregularity and gives early warning for possible risks as well as manage risk to acceptable level.

The Company provides Internal control system in accordance with the system suggested by the Committee of Sponsoring Organizations of the Tread way Commission (COSO) that covers organizational and control environment, risk management, management control, information and communication and monitoring.

5.9 Operation of Business Risk

The Company has operated to serve business risk by mitigating any potential impact caused by economic, political changes, and domestic and global financial crisis. Policy also includes the criteria for risk prevention and detection will be designed from Top Management in the meeting. All concerning management therefore complied with the policy and implemented the risk prevention and mitigation measures in accordance with the designed prevention and detection of Top Management with the collaboration of concerned department as follows:

1. Preparation of risk prevention and detection by each department to support the Company's master business plan and to cope with business risks for the Company's goal achievement;
2. Each responsible department has prioritized the risks by evaluating the overall risk profile and its potential impact to the organization. The appropriate risk mitigation criteria shall be determined in conjunction with each department.
3. All prevention and detection shall be implemented and regularly followed up by the Top Executives comprising of each concerning management in a quarterly meeting as outlined in the risk management plan. All countermeasures shall be followed and reviewed by internal audit department to ensure that the final outcome is agreeable with the Company's proposed objectives.

   Besides, the Company held risk management seminar and training for each business. The risk training also focused on concepts and principles of practicing on risk management throughout the organization which would contribute ensuring the sustainable growth of the Company as well as create long term value for stakeholders and shareholders.

5.10 Development of Directors and Management

To support and increase knowledgeable of the directors and Management, periodical training will be provided and especially the Director Accreditation Program (DAP) and Director Certification Program (DCP) arranged by the Thai Institute of Directors (IOD).

5.11 Company Secretary

The Board of Director considered and appointed a potential and experienced person as the Company Secretary proposed for further approval of the Board of Directors. Roles and responsibilities of the appointed Company Secretary are as follows:

1. Perform her duty with responsibility, due care and royalty as well as has to comply by laws and any other related regulation.
2. Support the Board of Directors for their activities including provided consultation with related to Company's Articles of Association, and any other regulations from related authorities.
3. Arrange meetings for Board of Directors, Committees and Shareholders as well as coordinate to ensure all resolutions have been implemented complying with Company's Objectives, Articles of Association, laws and related regulations.
4. Preparing and keeping important documents of the Company, i.e. a register of directors, notices calling directors' and shareholders' meetings as well as the reports of such meeting and the annual report, ect.
5. Keeping the report on interest filed by Directors and executives as well as submit a copy of such report to the Chairman and the Chairman of Audit Committee within seven business days from the date on which the Company has received the report.

5.12 Contact the Board of Director

Shareholders who wish to communicate directly with the Board of Directors, any committee of the Board or any individual director may submit their questions by:

- **Sending Electronic Mail to**

  Board of Director : kkc-bod@kulthorn.com

  Audit Committee : kkc-auditcom@kulthorn.com

- **Mailing a letter to**

Board of Director : Kulthorn Kirby Public Company Limited No. 126 Soi Chalong Krung 31, Chalong Krung Road, Khwaeng Lam Pla Thio, Khet Lat Krabang, Bangkok 10520.

Audit Committee : Kulthorn Kirby Public Company Limited No. 126 Soi Chalong Krung 31, Chalong Krung Road, Khwaeng Lam Pla Thio, Khet Lat Krabang, Bangkok 10520.

The Company Secretary will be responsible for forwarding those communications to the Board of Directors and relating directors or the standing committee and summarizing all directors' communications received during the most recent quarter to the Board. Communications to the Audit Committee will be delivered directly to the Audit Committee without any screening.

Business Ethics

Code of conduct for Management and Directors :

1 To the Company and Shareholder

1.1 Act with honesty, including making any decision with good faith and fairness to major and minority shareholders for the best benefits of the Company and the shareholders.

1.2 Manage with the best skills and knowledge.

1.3 Protect any assets of the Company from illegitimately loss and damage.

1.4 Accurately and Completely Report the actual status and operating performance of the Company, consistently.

1.5 Not disclose the confidentiality of the Company and not exploit the information and/or the confidentiality of the Company by misconduct.

1.6 Eliminate the conflict of interests with caution and rationale, including disclosing the sufficient information.

2 To Employee

2.1 Equally treat the employees with good manner and respect to a human dignity and basic human rights.

2.2 Award fare and appropriate benefits, base on the responsibility, skill & knowledge and performance of each employee.

2.3 Appoint and transfer, including reward and punish the employees with good faith, base on skill & knowledge and suitability of each employee.

2.4 Care for the working environment to be safe for life and health of employees.

2.5 Thoroughly and consistently encourage, support, train and develop knowledge and skill of employee.

2.6 Listen to opinion and suggestion, base on the professional knowledge of employees

2.7 Strictly follow any rules, regulations and codes related to employees.

2.8 Avoid any unfair action to employees and open for complain regarding any troubles or unfairness in order to come up with the right solutions.

3 To Customer

3.1 Treat the customer with honest and fair, including disclose and provide accurate and sufficient information regarding goods and services to the customer without distortion.

3.2 Strictly Follow the conditions and liabilities to the customer, including treating and providing the service to customer with hospitality.

3.3 Instantly consider and fairly process the complaint of the customers for their satisfaction.

3.4 Keep the trade confidentiality of the customers from using for their own and/or related persons' benefits or misconduct.

3.5 Produce good quality of goods and services with consistently standard.

3.6 Not overcharge the price, compared with the quality of goods and services and avoid an unfair trade conditions to the customers.

4 To Business Partner and/or Creditor

4.1 Not request or accept or pay any non-good faith benefit to a business partner and/or a creditor.

4.2 In case of evidence of request or accept or pay any non-good faith benefit, the detail of information will be immediately revealed to a business partner and/or a creditor to mutually consider for the fair and prompt solution.

4.3 Strictly follow any agreement and condition to a business partner and/or a creditor. In case of any bleach, the information will be immediately revealed to a business partner and/or a creditor to mutually consider for the solution.

4.4 Consistently and accurately report the financial data to the creditors on time.

5 To Trade Competitor

5.1 Play by the rules.

5.2 Not seek for the confidentiality information of the trade competitor by misconduct or inappropriateness.

5.3 Not undermine the reputation of the trade competitor by accusing without any evidence support.

6 To Society

6.1 Do no harm to the country, national resource, environment or society as a whole.

6.2 Frequently Support an activity that benefits a community and society as a whole or a creative activity to society.

6.3 Seriously build conscious and social responsibility among employees in any level, continuously.

6.4 Strictly act or supervise to act by the rules, regulation and codes, accordingly.

Code of conduct for Employee :

1. Work with honest, diligence, endeavor, discipline and responsibility for delegated duty.
2. Strictly and regularly act by the rules, regulations, the Company's code of conduct and related laws, including behaving as a good citizen under laws and orders of society for both in and out of the company.
3. Strictly keep the confidentiality of the Company, customers and business partners and do not disclose and confidentiality related to the Company or exploit the internal information of the company for their own and/or others' benefits.
4. Do not run or be partner or involve in any business or take any position in the business with the same business or competitive business or conflict of interests with the Company without the permission of the Company.
5. Utilize assets of the Company for the most effectiveness with care and maintain at the ready-to-use condition at all time, including not cause any damage or loss or use for their own and/or others' benefits.
6. Cooperate and assist in overall work, including any activity with the co-worker, respectfully.
7. Care for and act to maintain the working environment to be safe, clean and beautiful.
8. Keep and create the unity among group and co-worker.
9. Not accuse the Company, management and/or co-worker.
10. Inform a supervisor or related agency in case of any misconduct in the company or illegal action or any action may cause the damage to the work, asset or reputation of the Company and/or co-worker.

Related party transactions

During the years, the Company and its subsidiaries had significant business transactions with related parties mainly in respect of purchases and sales of goods. Such transactions, which have been concluded on commercial terms and bases agreed upon in the ordinary course of business between the Company and those related parties. All related details were disclosed in Note to consolidated financial statements no. 6

Significant financial information

Summarized financial information

- **Statements of comprehensive income for the year ended 31 December 2020 2019 and 2018**

(Unit : Baht)

	2020	2019	2018
Revenues			
Revenue from contracts with customers	5,580,112,810	5,939,976,371	7,455,852,023
Other income			
Gain on exchange	-	7,074,002	6,541,358
Interest income	76,606	257,950	2,617,535
Others	19,363,593	14,249,904	17,704,583
Total revenues	5,599,553,009	5,961,558,227	7,482,715,499
Cost of sales and services	5,406,294,538	6,148,503,832	7,389,991,234
Gross profit	173,818,272	(186,945,605)	65,860,789
Gross profit margin	3.11%	(3.51%)	0.88%
Operating expenses			
Selling and distribution expenses	81,653,334	93,436,274	86,986,429
Administrative expenses	454,242,533	596,403,735	545,860,715
Loss on exchange	20,489,681	-	-
Impairment loss on assets	65,941,611	6,275,612	-
Total expenses	622,327,159	696,115,621	632,847,144
Loss before finance cost and income tax	(429,145,294)	(883,061,226)	(540,122,879)
Finance cost	(202,091,391)	(207,371,304)	(187,133,027)
Loss before income tax	(631,236,685)	(1,090,432,530)	(727,255,906)
Income tax	(6,965,299)	(33,296,755)	121,460,974
Loss for the year	(638,201,984)	(1,123,729,285)	(605,794,932)
Other comprehensive income:			
Exchange differences on translation of financial statements in foreign currency	1,918,405	7,669,272	8,598,029
Other comprehensive income not to be reclassified	1,129,373,578	-	-
Actuarial loss	-	(16,102,300)	-
Less: Income tax effect	(229,242,911)	2,914,663	-
Other comprehensive income for the year	902,049,072	(5,518,365)	8,598,029
Total comprehensive income for the year	263,847,088	(1,129,247,650)	(597,196,903)
Earning per share (Baht per share)	(0.425)	(0.875)	(0.505)
Weighted average number of ordinary shares	1,500,000,000	1,284,496,708	1,200,000,000

- Statements of financial position as of 31 December 2020 2019 and 2018 Unit : Baht

	2020	2019	2018
Assets			
Current assets			
Cash and cash equivalents	28,864,272	137,916,360	96,962,936
Trade and other receivables	1,095,835,595	938,945,781	1,175,337,820
Inventories	1,239,335,329	1,573,588,505	2,343,848,986
Current tax assets	6,547,822	6,460,604	16,078,227
VAT receivable	33,293,709	26,636,854	61,020,028
Other current assets	91,346,952	88,316,745	94,103,129
Total current assets	2,495,223,679	2,771,864,849	3,787,351,126
Non-current assets			
Property, plant and equipment	4,047,319,499	3,177,220,804	2,784,555,695
Right-of-use assets	80,796,211	-	-
Other intangible assets	80,117,860	86,708,289	86,988,048
Advance payment for purchase of fixed assets	-	5,322,761	232,123,332
Deferred tax assets	28,561,969	220,261,494	249,733,806
Other non-current assets	1,061,492	1,363,193	1,358,696
Total non-current assets	4,237,857,031	3,490,876,541	3,354,759,577
Total assets	6,733,080,710	6,262,741,390	7,142,110,703
Liabilities and shareholders' equity			
Current liabilities			
Bank overdrafts and short-term loans from financial institutions	3,550,847,254	3,485,579,349	3,046,122,514
Trade and other payables	751,506,914	616,780,348	752,299,052
Current portion of long-term loans	400,000,000	1,075,300,000	400,000,000
Current portion of liabilities under financial lease agreements	-	15,826,548	-
Current portion of lease liabilities	21,362,459	-	-
Other current liabilities	23,755,515	32,312,528	89,766,286
Total current liabilities	4,747,472,142	5,225,798,773	4,288,187,852
Non-current liabilities			
Long-term loans, net of current portion	675,300,000	-	1,075,300,000
Liabilities under financial lease agreements, net of current portion	-	30,147,508	11,166,643
Lease liabilities, net of current portion	31,055,302	-	-
Deferred tax liabilities	43,820,015	-	-
Provision for long-term employee benefits	244,335,042	267,746,826	199,160,275
Total non-current liabilities	**994,510,359**	**297,894,334**	**1,285,626,918**
Total liabilities	5,741,982,501	5,523,693,107	5,573,814,770
Shareholders' equity			
Registered 1,500,000,000 ordinary shares of Baht 1 each (2561-2560 : Registered 1,200,000,000 ordinary shares of Baht 1 each)			
Issued and fully paid up 1,500,000,000 ordinary shares of Baht 1 each (2561-2560 : Registered 1,200,000,000 ordinary shares of Baht 1 each)	1,500,000,000	1,500,000,000	1,200,000,000
Share premium	700,000,000	700,000,000	700,000,000
Surplus from business combination under common control	207,897,949	207,897,949	207,897,949
Retained earnings (deficits)			
Appropriated - statutory reserve	120,000,000	120,000,000	120,000,000
Unappropriated	(2,431,900,639)	(1,794,366,608)	(657,449,686)
Other components of shareholders' equity	895,100,899	5,516,942	(2,152,330)
Total shareholders' equity	991,098,209	739,048,283	1,568,295,933
Total liabilityes and shareholders' equity	6,733,080,710	6,262,741,390	7,142,110,703

- **Statements of cash flow 31 December 2020 2019 and 2018**

Unit : Baht

	2020	2019	2018
Cash flows from operating activities			
Loss before tax	**(631,236,685)**	**(1,090,432,530)**	**(727,255,906)**
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:			
Depreciation and amortisation	351,026,612	363,119,710	408,038,399
Allowance for impairment loss on property, plant and equipment (reversal)	65,941,611	6,275,612	(2,560,350)
Amortise right-of-use assets	21,645,095	-	-
Allowance for doubtful accounts (reversal)	-	(6,570,336)	(41,859,802)
Allowance for expected credit losses (reversal)	2,618,746	-	-
Bad debt	-	10,441,276	40,941,474
Reduction of inventory to net realisable value (reversal)	(50,247,830)	(18,161,799)	55,436,173
Loss (gain) on sales of property, plant and equipment	(3,095,661)	1,304,099	(433,054)
Loss on write-off property, plant and equipment	404	235,071	10,429,626
Transfer machine under installation to expense	6,976,285	-	-
Write-off withholding tax	2,415,291	1,334,280	385,035
Amortise deferred revenue from sales and lease back	(222,014)	(129,508)	-
Dividend income	(3,805)	(2,727)	(4,572)
Provision for long-term employee benefits	26,442,227	85,427,597	19,159,740
Subsidies income from Government grants	(3,859,308)	(4,527,740)	(3,654,958)
Loss on fair value adjustments of financial instruments	809,508	-	-
Interest income	(76,606)	(257,950)	(2,617,535)
Unrealised loss (gain) on exchange	3,269,485	(3,430,061)	(2,987,261)
Interest expenses	202,167,997	207,371,304	176,508,769
Loss from operating activities before changes in operating assets and liabilities	**(5,428,648)**	**(448,003,702)**	**(70,474,222)**
Operating assets (increase) decrease			
Trade and other receivables	(166,884,522)	211,718,219	571,456,185
Inventories	384,501,006	788,422,280	(276,879,015)
Other current assets	(28,209,458)	78,244,489	(20,916,800)
Other non-current assets	301,701	(4,497)	913,118
Operating liabilities increase (decrease)			
Trade and other payables	148,877,582	(156,513,936)	(137,261,485)
Other current liabilities	(4,902,807)	2,762,497	(13,824,864)
Cash flows from (used in) operating activities	**328,254,854**	**476,625,350**	**53,012,917**
Cash paid for long-term employee benefits	(43,267,867)	(32,350,349)	(16,851,454)
Cash received from interest income	76,606	257,950	2,617,535
Tax refund received	18,201,411	-	-
Cash paid for interest expenses	(206,071,757)	(219,331,509)	(170,910,353)
Cash paid for income tax	(7,297,863)	(7,589,459)	(17,808,885)
Net cash flows from (used in) operating activities	89,895,384	217,611,983	(149,940,240)

- **Statements of cash flow 31 December 2020 2019 and 2018 (continued)**

Unit : Baht

	2020	2019	2018
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets	(469,134,522)	(524,462,400)	(345,398,905)
Proceeds from sales of property, plant and equipment and intangible	3,864,615	611,342	3,185,261
assets	-	-	11,651,149
Cash receipt from Government grants	3,805	2,727	4,572
Dividend income			
Net cash flows used in investing activities	**(465,266,102)**	**(523,848,331)**	**(330,557,923)**
Cash flows from financing activities			
Increase in bank overdrafts and short-term loans			
from financial institutions	303,791,189	434,970,677	(217,420,471)
Repayment of long-term loans	-	(400,000,000)	(250,000,000)
Proceed from long-term loans	-	-	925,300,000
Proceed from increase share capital	-	300,000,000	-
Cash paid for liabilities under financial lease agreements	(27,881,977)	(60,041,815)	(64,394,543)
Preceed from sales and lease back	-	52,967,451	-
Dividend paid	(38)	-	(59,990,950)
Net cash flows from financing activities	**275,909,174**	**327,896,313**	**333,494,036**
Increase in translation adjustments	**(9,590,544)**	**19,293,459**	**18,286,554**
Net increase (decrease) in cash and cash equivalents	**(109,052,088)**	**40,953,424**	**(128,717,573)**
Cash and cash equivalents at beginning of year	137,916,360	96,962,936	225,680,509
Cash and cash equivalents at end of year	**28,864,272**	**137,916,360**	**96,962,936**

Financial Ratio

	2020	2019	2018
Liquidity Ratio			
Current Ratio	0.53 Times	0.53 Times	0.88 Times
Quick Ratio	0.24 Times	0.21 Times	0.31 Times
Cash Ratio	0.03 Times	0.05 Times	(0.04) Times
Account Receivable Turnover	5.48 Times	5.71 Times	5.02 Times
Average Collection Period	66 Days	63 Days	72 Days
Inventory Turnover	5.77 Times	2.81 Times	3.03 Times
Inventory Cycle	62 Days	128 Days	119 Days
Payable Turnover	7.9 Times	8.98 Times	9.06 Times
Payable Cycle	46 Days	40 Days	40 Days
Cash Cycle	83 Days	151 Days	151 Days
Profitability Ratio			
Gross Profit	3.11 %	(3.51) %	0.88 %
Net Profit	(11.40) %	(18.85) %	(8.10) %
Return on Equity	(64.39) %	(152.05) %	(38.63) %
Efficiency Ratio			
Return on Assets	(9.48) %	(17.94) %	(8.48) %
Return on Fixed Assets	(17.56) %	(25.95) %	(7.45) %
Assets Turnover	1.55 Times	0.89 Times	1.04 Times
Financial Policy Ratio			
Debt to Equity Ratio	5.79 Times	7.47 Times	3.55 Times
Interest Coverage Ratio	2.12 Times	(4.13) Times	(2.89) Times
Dividend Payout	* %	* %	*** %

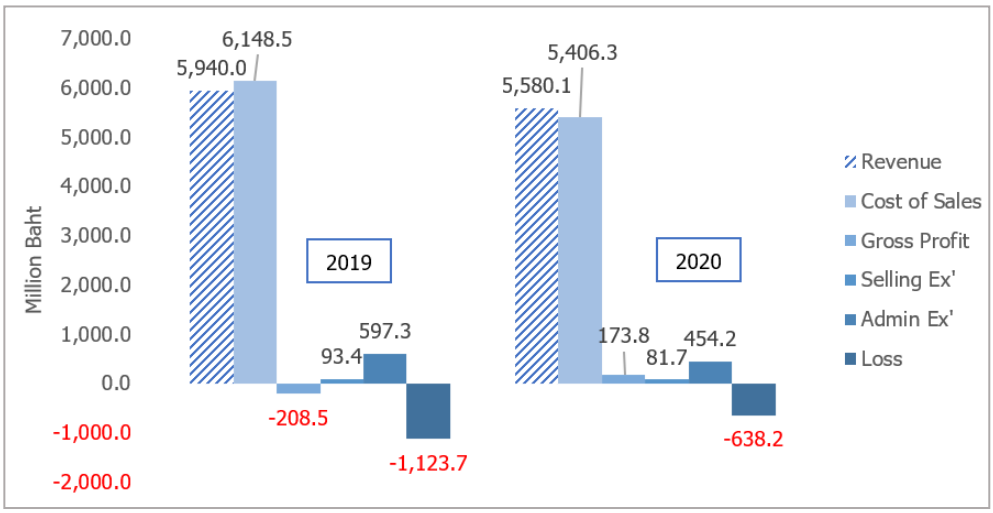
* In 2021, the Board of Directors Meeting No. 1/2021, held on 24 February 2021 unanimously proposed to the Shareholders meeting No. 42/2021 which will be held on 28 April 2021 to approve the dividend omission for 2020' operational results.

** In 2020, the Shareholders meeting No. 41/2020, held on 22 July 2020 unanimously approve the dividend omission for 2019' operational results.

*** In 2019, the Shareholders meeting No. 40/2019, held on 24 April 2019 unanimously approve the dividend omission for 2018' operational results.

Management Discussion and Analysis

Business overall



During the outbreak of the COVID-19 virus which shows a huge impact in most businesses and industries. This includes the business activities of the group mainly in the supply chain system and delayed operations which has a significant impact on the financial position, company's performance, both current and forecast cash flow as well as the financial ratios of the group. The management team has been continually following the outbreak situation closely and currently assessing its impact on the financial statements which an effect can be able to change depending on the circumstances that may change in the future.

In 2020, the company has been continuously improving the implementation of the business operational plan to generate more sales and profits and also enhance production efficiency while reducing costs and operating expense with the aim to increase competitiveness and profitability by beginning Bristol project which officially grand opened on September 10, 2020 and is ready to serve the world market demand.

Although revenue from contracts with customers of Bath 5,580.1 million slightly decreases by 6.1% YoY or Baht 359.9 Million. Due to the reducing sales volume of compressors for refrigerator/freezer by 20.8% while sales volume of air-conditioning compressor was increased by 4.3%, espeacially, the sales revenue from Hongkong and Saudi Arabia was significant increased by 61.6% and 52.2%, respectively. However, in the first quarter of 2020, the Company was also affected by the outbreak of the COVID-19 virus, in terms of sales, operations and the supply chain of raw materials and components. Subsidiaries' sales volume consisting of enameled wire, steel sheet and steel coil center also declined as well as many customers have been affected from the situation of Coronavirus disease (COVID-19) outbreak which is the enameled wire's sales was decreased by 11.8%, the steel sheet and modify steel sheet's sales were decreased by 13.81% and the steel coil center was decreased by 31.37%.

However, the cost of sales and services of Bath 5,406.3 million which was 96.9% of revenue shows a continuously improvement comparing to 103.5% of revenue in the last year due to more effective cost management, although raw materials' price including copper, iron and etc. in the market rose sharply since the second quarter. However, gross profit has been continually profitable in the past year.

For selling expenses of Bath 81.7 million decreased from last year by 12.6% or Baht 11.8 million as a result of not only the reduction of sales volume but also effective control of selling and distribution expense. As well as administrative expenses of Bath 454.2 million decreased from last year by 24.0% or Baht 596.4 million. Last year's expense was relatively high due to the company has sent employees to work on the Bristol Project in the U.S. for 4 months in the first quarter. The loss on exchange rate of Bath 20.5 million was caused by the fluctuation of exchange rates at the beginning of 2020 while in 2019 this issue was not in concern.

However, the group has an allowance for impairment of assets of Baht 65 million in 2020 which came from he change in accounting policy regarding TAS 16 (Property, Plant and Equipment).

The loss in 2020 reduced by Baht 485.5 million or 43.2% YoY as the Group is in the process of implementing operational plans to change its strategies and future business model, the loss continuously declines.

Significant Accounting Change

1. The group has adopted the revised (revised 2019) and new financial reporting standards and interpretations which are TFRS 7 (Financial Instruments: Disclosures), TFRS 9 (Financial Instruments) TAS 32 (Financial Instruments: Presentation) and TFRS 16 (Hedges of a Net Investment in a Foreign Operation). The cumulative effect is recognized as an adjustment to the retained earnings. (More details described in the notes to the financial statements no. 4)

   New financial reporting standards has an impact on the financial statements of the Group on the following

   - Acknowledge a credit that expected to be loss – the group acknowledged expected credit losses on financial assets without necesserly to wait for a credit impairment to occur first. The Group will use a simple method to determine the allowable loss expected over life for the accounts receivable.
   - Acknowledge of derivatives - The Group initially acknowledged derivatives at fair value on the execution date and then measured a previous value by using fair value at the end of the reporting period. The changes in the fair value of derivatives are acknowleged in profit or loss statement.

   By adjusted to retained earnings as of 1 January 2020 and not restating the previous year's financial statements

Financial Statement (Consolidation)	31 December 2019	The impact of the new financial reporting standard	1 January 2020
Asset lists			
Trade and other receivables	938,946	(9,611)	929,335
Property, plant and equipment	3,177,221	(74,610)	3,102,611
Rights of use assets	-	115,914	115,914
Liabilities and equity			
Current portion of liabilities under financial lease agreements	15,827	(15,827)	-
Current portion of long-term loans	-	36,040	36,040
Other current liabilities	-	2,186	2,186
Liabilities under financial lease agreements, net of current portion	30,148	(30,148)	-
Lease liabilities, net of current portion	-	51,239	51,239
Un appropriated retained deficits	(1,794,367)	(11,797)	(1,806,164)

2. The company reviewed the suitability and impacts from the change of Thai Accounting Standard No. 16 (Revised 2018) which is about Property, Plant, and Equipment in order to make the financial statements of the company reflects the fair value of land, land improvement, building, and building improvement. the company has considered the suitability of the change of accounting policy for recording the value of land, land improvement, building, and building improvement in the company's consolidated financial statements from the using of cost method to revaluation method. As a result, the new standard will affect the company's consolidated financial statements at the second quarter ended June 30, 2020 onwards. (More details described in the notes to the financial statements no. 5)

In addition, the Group changed its accounting estimates with respect to the useful lives of land improvement and building from 10 and 20 years to 10, 20, 30, 35, 40 and 45 years. The management of the Group believes that the new useful lives of assets are more appropriate and consistent with their expected economic benefits provided to the Group.The Group applied the change in accounting estimates prospectively.

The effects of the change in accounting policy and the change in accounting estimates to the statements of financial position as at 31 December 2020 and as at 30 June 2020 and the statement of comprehensive income for the year ended 31 December 2020 are as follow:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 December 2020	30 June 2020	31 December 2020	30 June 2020
Statement of financial position:				
Increase in property, plant and equipment	1,118,807	1,129,374	711,993	719,056
Increase in deferred tax liabilities	226,230	229,243	141,478	143,811
Increase in surplus on revaluation of asset	887,666	900,131	565,909	575,244
Decrease in deficits - unappropriated	4,911	-	4,605	-

(Unit: Thousand Baht)

	For the year ended 31 December 2020	
	Consolidated financial statements	Separate financial statements
Statement of comprehensive income:		
Profit or loss		
Impact to depreciation		
Increase in depreciation in cost of sales and services	(11,940)	(9,153)
Decrease in depreciation in administrative expenses	1,373	2,090
Decrease in income tax	3,013	2,333
Other comprehensive income:		
Increase in gain on revaluation of asset (net of income tax)	916,972	575,244
Increase in basic loss per share (Baht)	(0.005)	(0.003)

Statement of Financial Position

(Unit: Million Baht)

	31 December 2020		31 December 2019		Change	
	Amount	%	Amount	%	Amount	%
Current Assets	2,495.2	37.1	2,771.9	44.3	(276.7)	(10.0)
Non-current assets	4,237.9	62.9	3,490.9	55.7	747.0	21.4
Total Assets	**6,733.1**	**100.0**	**6,262.8**	**100**	**470.3**	**7.5**
Current liabilities	4,747.5	70.5	5,225.8	83.4	(478.3)	(9.2)
Non-current liabilities	994.5	14.8	297.9	4.8	696.6	233.8
Total liabilities	**5,742.0**	**85.3**	**5,523.7**	**88.2**	**218.3**	**4.0**
Total shareholders' equity	**991.1**	**14.7**	**739.1**	**11.8**	**252.0**	**34.1**
Total liabilities and shareholders' equity	6,733.1	100.0	6,262.8	100	470.3	7.5

Total assets as of 31 December 2020 increased by Bath 470.3 million from 31 December 2019 due to the change in Thai Accounting Standard No. 16 (Revised 2018), Property, Plant, and Equipment from cost method to revaluation method. This has resulted in the value of land and building improvements of the group increased from net book value of Baht 599.2 million and Baht 530.2 million, respectively. (Only parent company: an increase of Baht 517.2 million and Baht 201.9 million, respectively). The group has recorded an increase from the revaluation in to other comprehensive income and recognize the accumulated amount in the account "Surplus from revaluation of assets" in equity.

Total liabilities as of 31 December 2020 increased by Bath 218.3 million from 31 December 2019, due to the application of TFRS 16, lease liabilities presented as an increasing amount.

Long-term liabilities The Group has entered into negative pledge memorandums, which are part of the short-term credit facility agreements with 3 financial institutions. Under the agreements, the Group is required to comply with certain conditions including maintaining interest-bearing debt to EBITDA plus extraordinary item and non-cash items ratio not exceeding 5:1 for the consolidated financial statements and debt to equity ratio for the consolidated financial statements not exceeding 2.75:1. The Group is not allowed to dispose of, transfer, mortgage or provide any lien on their assets, both existing and to be acquired in the future, except to use as collateral for the syndicated loan to pay off the debt to those financial institutions.

During the year 2020, the Group entered into the Amendment Agreement to the Credit Facility Agreement to extend the repayment period of the outstanding principal for one year, starting from 31 March 2020. Therefore, the financial maturity date of the loan which had been drawn down in 2016 and 2018 shall be repaid within the years 2022 and 2024, respectively.

The loan is subject to interest at the rate with reference to THBFIX+3%, and interest is to be paid on a monthly basis.

Under the loan agreement, the Group has to comply with certain conditions including maintaining interest-bearing debt to EBITDA plus extraordinary item and non-cash items ratio for the consolidated financial statements not exceeding 5:1 and debt to equity ratio for the consolidated financial statements not exceeding 2.75:1, based on the financial statements as at 30 June and 31 December.

As of 31 December 2019, the Group was unable to maintain interest-bearing debt to EBITDA plus extraordinary item and non-cash items ratio and debt to equity ratio as specified in the Credit Facility Agreement, resulting in the long-term loan becoming payable on demand. The Group, therefore, classified the total balance of the loan as the current portion due within one year. The classification of such liabilities as of 31 December 2019 to current liabilities is in accordance with Thai Financial Reporting Standards.

In December 2020, the Group received a waiver letter from three financial institutions, approving a waiver for certain financial conditions including waiver maintenance of the interest-bearing debt to EBITDA plus extraordinary items and non-cash items ratio and debt to equity ratio for the year ended 31 December 2020.

As of 31 December 2020, the Group was able to comply with all conditions as specified in the waiver letter and the loan agreement. The above long-term loans from financial institutions are secured by mortgage of the Group's properties and plant thereon

Total shareholders' equity as of 31 December 2020 of Bath 991.1 million increased from 31 December 2019 by Bath 252.0 million as a result of a change in Thai Accounting Standard No. 16 (Revised 2018), Property, Plant, and Equipment. This caused an increase in total shareholders' equity.

Liquidity and sufficiency of capital

Liquidity ratios

On 31 December 2020, the Group shows a similar liquidity ratio, 0.53 times, as last year. The group has made credit facility agreements with 2 financial institutions which are the same financial institutions that provide long-term loans which the group has used financial services from both financial institutions for many years. Due to a good relationship and both financial institutions have well knowledge and understanding of the compressor industry, so, this is the reason that both financial institutions continue to support the group in using credit as working capital for their continued business operations.

Average inventory turnover and average inventory period

On 31 December 2020, the average inventory turnover of the group is 5.77 times which better than last year at 2.81 times. It shows that the company has more efficient inventory management due to a decrease in the average inventory period last year from 128 to 62 days which means the average inventory period has decreased by 50%.

Gross Profit Margin

On 31 December 2020, the gross profit margin of the group is 3.1% which better than last year at 3.5%. Due to the group have more effective in controlling measure and cost management.

Net Profit Margin

On 31 December 2020, the net profit margin of the group is 11.4% which better than last year at 18.9%. The group is in the process of adjusting the strategy and future operating plans, and looking for a new opportunity for additional funding sources.

Debt to Equity ratio

On 31 December 2020, the debt to equity ratio of the group is 5.79 times which better than last year, 7.47 times. The group has higher current liabilities compare to current assets at Bath 2,252 million (subsidiaries: Bath 2,515 million) and total accumulated loss at Bath 2,312 million (subsidiaries: Bath 1,499 million).

Credit Policy

The Group manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. Outstanding trade receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance obtained from reputable banks and other financial institutions. In addition, the Group does not have high concentrations of credit risk since it has a large customer base.

An impairment analysis is performed at each reporting date to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar credit risks. The Group classifies customer segments by customer type and rating, and coverage by letters of credit and other forms of credit insurance. Letters of credit and other forms of credit insurance are considered an integral part of trade receivables and taken into account in the calculation of impairment. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than 210 days and not subject to enforcement activity.

Allowance for diminution in inventory value

The management needs to exercise judgment and especially make estimates determining the allowance for diminution in inventory value for the products that their net value are lower than the cost and obsolete or aging goods. This depends on a detailed analysis of the life cycle of the product, fluctuation of raw material prices, market competition, economic conditions, and industrial conditions. This may create a risk to the allowance for diminution in inventory value. Methods and assumptions used by management in determining the allowance for diminution in inventory are as follows:

- Comparing the holding period and the movement of inventories to identify groups of products that indicate slower turnover
- Analyzing the net amount proceeds received from the sales of goods after the date record in the financial statements with the cost of the inventories
- Consider the actual loss from sales and write-off of inventories from the account incurred during the year compared with the allowance for diminution in the inventory value recorded at the end of the preceding year

Investments in subsidiaries

The Company recorded an allowance for impairment of investments in subsidiaries amounting to Baht 1,543 million in the separate financial statements (More details described in the notes to the financial statements no. 13). The determination of the allowance for impairment of investments is a critical accounting estimate. Which management team has to use high discretion to forecasting the future performance of subsidiaries including determining the discount rate and important assumptions. This will cause a risk associated with the value of investments in subsidiaries.

Assets and liabilities management

1. Trade and other receivables

2. (Unit: Thousand Baht)

	2020		2019		2018	
Trade receivables - related parties						
Not yet due	99,889	9.12 %	92,416	9.46 %	90,842	7.73 %
Overdue						
Less than 3 months	28,198	2.57 %	13,481	1.38 %	22,829	1.94 %
3 - 6 months	223	0.02 %	-	-	-	-
Over 6 months	1,037	0.09 %	4,449	0.46 %	4,797	0.41 %
Total trade receivables - related parties	129,347	11.80 %	110,346	11.30 %	118,468	10.08 %
Trade receivables - unrelated parties						
Not yet due	837,808	76.45 %	652,602	66.80 %	713,029	60.67 %
Overdue						
Less than 3 months	128,124	11.69%	152,699	15.63 %	290,361	24.70 %
3 - 6 months	750	0.07 %	890	0.09 %	8,972	0.76 %
Over 6 months	11,855	1.08 %	11,043	1.13 %	22,867	1.95 %
Total	978,537	89.30%	817,234	83.65 %	1,035,229	88.08 %
Less: Allowance for doubtful debts	(18,435)	(1.68 %)	(6,205)	(0.64 %)	(12,775)	(1.09 %)
Total trade receivables - unrelated parties	960,102	87.61%	811,029	83.01 %	1,022,454	86.99 %
Total trade receivables - net	1,089,449	99.42%	921,375	94.31 %	1,140,922	97.07 %
Other receivables						
Other receivables - related parties	4,993	0.46%	15,613	1.60 %	3,611	0.31 %
Other receivables – unrelated parties	1,394	0.13%	1,958	4.09 %	30,805	2.62 %
Total other receivables	6,387	0.58%	17,571	5.69 %	34,416	2.93 %
Total trade and other receivables - net	1,095,836	100.00%	938,946	100 %	1,175,338	100 %

2. Inventories

(Unit: Thousand Baht)

	2020		2019		2018	
Costs						
Finished goods	360,926	25.63%	470,195	26.23 %	956,839	37 %
Work in process	283,498	20.13%	343,439	19.16 %	434,690	17 %
Raw materials	672,785	47.78%	923,364	51.51 %	1,153,952	45 %
Goods in transit	91,002	6.46 %	55,734	3.10 %	35,673	1%
	1,408,231	100 %	1,792,732	100 %	2,581,154	100 %
Total	(168,895)	11.99 %	(219,143)	12.22 %	(237,305)	9.19%
Allowance for Impairment Losses						
Net inventories	1,239,335		1,573,589		2,343,849	

During the current year, the Group reversed the write-down of cost of inventories by Baht 50.2 million (2018: Baht 18.2 million) (Only parent company: Baht 11.1 million). By deducted from the value of inventories recognized as an expense during the year.

3. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements							
	Revaluation basis		Cost basis					
	Land	Land improvement and plant	Machineries	Plant equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress and machine under installation	Total
Cost/ Revalued amount								
As at 31 December 2019	349,728	2,048,999	7,923,531	1,312,144	205,513	148,404	1,181,209	13,169,528
Adjustment due to first time adoption of TFRS 16 (Note 4)	-	(11,504)	(69,610)	(2,248)	-	(6,083)	-	(89,445)
As at 1 January 2020	349,728	2,037,495	7,853,921	1,309,896	205,513	142,321	1,181,209	13,080,083
Additions	-	265	2,420	885	885	439	202,584	207,478
Reclassify	3,185	(3,185)	-	-	-	-	-	-
Revaluations	599,229	530,145	-	-	-	-	-	1,129,374
Capitalised interest	-	-	-	-	-	-	1,501	1,501
Transfer in (out)	-	72,431	497,461	24,950	1,807	-	(603,625)	(6,976)
Transfer from right-of-use assets (Note 20)	-	-	6,631	-	-	-	-	6,631
Disposals/write-off	-	-	(77,239)	(8,383)	(1,722)	(22,283)	(188)	(109,815)
Translation adjustment	-	17,184	16,406	-	539	414	11	34,554
As at 31 December 2020	952,142	2,654,335	8,299,600	1,327,348	207,022	120,891	781,492	14,342,830
Accumulated depreciation								
As at 31 December 2019	-	1,392,635	7,029,599	1,247,999	173,881	138,897	-	9,983,011
Adjustment due to first time adoption of TFRS 16 (Note 4)	-	(2,307)	(7,809)	(293)	-	(4,426)	-	(14,835)
As at 1 January 2020	-	1,390,328	7,021,790	1,247,706	173,881	134,471	-	9,968,176
Depreciation for the year	-	99,227	201,253	24,721	9,779	2,953	-	337,933
Disposals/ write-off	-	-	(76,965)	(8,383)	(1,666)	(22,031)	-	(109,045)
Translation adjustment	-	9,033	13,106	-	484	373	-	22,996
As at 31 December 2020	-	1,498,588	7,159,184	1,264,044	182,478	115,766	-	10,220,060
Allowance for impairment loss								
As at 1 January 2020	-	-	(8,079)	-	(646)	(571)	-	(9,296)
(Increase) decrease during the year	-	(62,948)	(3,033)	-	39	-	-	(65,942)
Translation adjustment	-	-	(127)	-	(46)	(40)	-	(213)
As at 31 December 2020	-	(62,948)	(11,239)	-	(653)	(611)	-	(75,451)
Net book value								
As at 31 December 2020	952,142	1,092,799	1,129,177	63,304	23,891	4,514	781,492	4,047,319
Depreciation for the year								
2020 (Baht 308 million included in manufacturing cost, and the balance in administrative expenses)								337,711

During the current year, the Group arranged for an independent professional valuer to appraise the value of its land and buildings. The basis of the revaluation is as follows:

- Land was revalued using the market approach.
- Land improvement and buildings were revalued using the depreciated replacement cost approach.

The result of the revaluations showed increases of Baht 599.2 million and Baht 530.2 million (the Company only: Baht 517.2 million and Baht 201.9 million) in the net book value of the Group's Land and Land improvement and building, respectively. The Company recorded the revaluation increase in other comprehensive income and the cumulative increase is recognised as the "Revaluation surplus on assets" in the shareholders' equity.

During the year ended 31 December 2020, borrowing cost totaling approximately Baht 1.5 million (2019: Baht 11.1 million) were capitalised as part of machine under construction. The weighted average rate used to determine the amount of borrowing cost eligible for capitalisation was 4.20 - 4.64 percent per annum. (2019: 4.20 - 4.56 percent per annum)

As at 31 December 2020, certain items of plant and equipment of the Group were fully depreciated but are still in use. The gross carrying amount, before deducting accumulated depreciation and allowance for impairment loss of those assets amounted to Baht 6,188 million (The Company only: Baht 3,777 million) (2019: Baht 6,776.3 million in the consolidated financial statements and Baht 3,881.4 million in the separate financial statements).

The Group pledged their land and buildings thereon, of which net book value amounted to approximately Baht 1,188 million (2019: Baht 392 million) (The Company's: Baht 741 million 2019: Baht 221 million), with financial institutions as collateral to secure loans as discussed in Note 19.

In addition, the Group has entered into negative pledge memorandums, which are part of the short-term credit facility agreements with 3 financial institutions. Under these memorandums, the Group is not allowed to dispose, transfer, mortgage or provide any lien on their land and buildings thereon and machinery, except to use as collateral for the syndicated loans to pay off the debts to those financial institutions as discussed in Note 17.

Land is stated at revalued amount. Buildings and equipment are stated at cost or revalued amount less accumulated depreciation and allowance for loss on impairment of assets (if any).

Land and buildings are initially recorded at cost on the acquisition date, and subsequently revalued by an independent professional appraiser to their fair values. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the end of reporting period.

Differences arising from the revaluation are dealt with in the financial statements as follows:

- When an asset's carrying amount is increased as a result of a revaluation of the Group's assets, the increase is credited directly to the other comprehensive income and the cumulative increase is recognised in equity under the heading of "Revaluation surplus". However, a revaluation increase is recognised as income to the extent that it reverses a revaluation decrease in respect of the same asset previously recognised as an expense.
- When an asset's carrying amount is decreased as a result of a revaluation of the Group's assets, the decrease is recognised in profit or loss. However, the revaluation decrease is charged to the other comprehensive income to the extent that it does not exceed an amount already held in "Revaluation surplus" in respect of the same asset.

Depreciation of plant and equipment is calculated by reference to their costs or the revalued amount, on the straight-line basis over the following estimated useful lives:

Land improvement and plant	-	10, 20, 30, 35, 40, 45 years
Machineries	-	5, 8, 10, 15 years
Plant equipment	-	5 years
Furniture, fixtures and office equipment	-	3, 5, 10 years
Motor vehicles	-	5 years

Depreciation is included in determining income.

No depreciation is provided for land and construction in progress and machine under installation.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

4. Investments in subsidiaries

Details of investments in subsidiaries as presented in separate financial statements are as follows:

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost		Dividend received during the year	
	2020	2019	2020	2019	2020	2019	2020	2019
			(%)	(%)				
Kulthorn Kirby Foundry Company Limited	575,000	575,000	100	100	739,999	739,999	-	-
Kulthorn Premier Company Limited	1,260,000	1,260,000	100	100	1,936,751	1,936,751	-	-
Kulthorn Steel Company Limited	400,000	400,000	100	100	399,999	399,999	-	-
kulthorn Materials and Controls Company Limited	650,000	650,000	100	100	540,630	540,630	-	-
Kulthorn Research and Development Company Limited	12,500	12,500	100	100	12,500	12,500	-	-
Total					3,629,879	3,629,879	-	-
Less: Allowance for impairment loss on investments in subsidiaries					(1,543,007)	(1,543,007)	-	-
Total investments in subsidiaries - net					2,086,872	2,086,872	-	-

The company did not received dividend during the year ended 31 December 2020 and 2019.

During the year 2019, the Company recognises an impairment loss for investment in subsidiaries amounting to Baht 500 million (2020: Nil) as expenses in the separate statement of comprehensive income. The Company has determined the recoverable amounts of its investment in subsidiaries based on the higher of fair value less costs of disposal or value in use, using cash flow projections from financial estimation approved by management covering a 5-year period.

5. Bank overdrafts and short-term loans from financial institutions

(Unit: Thousand Baht)

	Interest rate (percent per annum)	2019	2018	2017
Bank overdrafts	5.82 - 5.88	124,682	108,582	131
Short-term loans	3.75 - 6.87	1,085,000	1,047,145	874,600
Trust receipts	2.24 - 4.70	1,257,847	1,408,039	1,531,518
Packing credit	3.25 - 6.87	1,083,318	921,813	639,874
Total		3,550,847	3,485,579	3,046,123

The Group has entered into negative pledge memorandums, which are part of the short-term credit facility agreements with 3 financial institutions. Under the agreements, the Group is required to comply with certain conditions including maintaining interest bearing debt to EBITDA plus extraordinary item and non-cash items ratio not exceeding 5:1 for the consolidated financial statements and debt to equity ratio for the consolidated financial statements not exceeding 2.75:1. The Group is not allowed to dispose, transfer, mortgage or provide any lien on their assets, both existing and to be acquired in the future, except to use as collateral for the syndicated loan to pay off the debt to those financial institutions.

As at 31 December 2019, the Group could not maintain interest bearing debt to EBITDA plus extraordinary item and non-cash items ratio and debt to equity ratio as specified in the Credit Facility Agreement, which resulted in the loan becoming payable on demand, as disclosed in Note 19.

6. Trade and other payables

(Unit: Thousand Baht)

	2020	2019	2018
Trade payables - related parties	10,936	7,860	6,264
Trade payables - unrelated parties	478,739	357,868	513,384
Other payables - related parties	2,404	17,212	3,884
Other payables - unrelated parties	176,498	166,096	158,039
Accrued interest expenses to related parties	-	-	-
Accrued interest expenses to unrelated parties	1,894	1,898	2,766
Accrued expenses - unrelated parties	81,036	65,846	67,962
Total trade and other payables	751,507	616,780	752,299

7. Long-term loans

(Unit: Thousand Baht)

	2019	2018	2017
Long-term loans	1,075,300	1,075,300	1,475,300
Less: current portion	(400,000)	(1,075,300)	(400,000)
Long- loans, net of current portion	675,300	-	1,075,300

In December 2016, the Group entered into a Credit Facility Agreement with three financial institutions to obtain long-term syndicated loans facility amounting to Baht 2,000 million.

In December 2016, the Company drew down a Baht 1,000 million loans from financial institutions, and the loan shall be repaid within the year 2021. The repayment of the principal is to be made in 20 quarterly installments, of Baht 50 million each, with the first installment to be paid in March 2017.

During the year 2018, the Company drew down additional totaling Baht 925.3 million loans from financial institutions, and the loan shall be repaid within the year 2023. The repayment of the principal is to be made in 19 quarterly installments, of Baht 50 million for the first 18 installments and Baht 25.3 million for the last installment, with the first installment to be paid in December 2018.

During the year 2020, the Group entered into the Amendment Agreement to the Credit Facility Agreement to extend the repayment period of the outstanding principal for one year, starting from 31 March 2020. Therefore, the financial maturity date of the loan which had been drawn down in 2016 and 2018 shall be repaid within the year 2022 and 2024, respectively.

The loan is subject to interest at the rate with reference to THBFIX+3%, and interest is to be paid on a monthly basis.

Under the loan agreement, the Group has to comply with certain conditions including maintaining interest bearing debt to EBITDA plus extraordinary item and non-cash items ratio for the consolidated financial statements not exceeding 5:1 and debt to equity ratio for the consolidated financial statements not exceeding 2.75:1, based on the financial statements as at 30 June and 31 December.

As at 31 December 2019, the Group was unable to maintain interest bearing debt to EBITDA plus extraordinary item and non-cash items ratio and debt to equity ratio as specified in the Credit Facility Agreement, resulting in the long-term loan becoming payable on demand. The Group therefore classified total balance of loan as current portion due within one year. The classification of such liabilities as at 31 December 2019 to current liabilities is in accordance with Thai Financial Reporting Standards.

In December 2020, the Group received a waiver letter from three financial institutions, approving a waiver for certain financial conditions including a waiver maintenance of the interest bearing debt to EBITDA plus extraordinary items and non-cash items ratio and debt to equity ratio for the year ended 31 December 2020.

As at 31 December 2020, the Group was able to comply with all conditions as specified in the waiver letter and the loan agreement.

The above long-term loans from financial institutions are secured by mortgage of the Group's properties and plant thereon.

8. Liabilities under lease agreements

8.1 The Group as a lessee

The Group has lease contracts for various items of property, plant, and equipment used in its operations. Leases generally have lease terms between 2 - 6 years and 33 years.

8.1.1 Right-of-use assets

Movement of right-of-use assets for the year ended 31 December 2020 are summarised below:

(Unit: Thousand Baht)

	Consolidated financial statements				
	Land and land improvement	Machinery and equipment	Office equipment	Motor vehicles	Total
1 January 2020	37,948	72,864	3,445	1,657	115,914
Additions	-	7,890	-	1,000	8,890
Decrease from lease modification during the year	(15,479)	-	-	-	(15,479)
Decrease from termination of lease contract during the year	-	(390)	-	-	(390)
Transfer to fixed assets (Note 14)	-	(6,631)	-	-	(6,631)
Depreciation for the year	(6,812)	(11,705)	(1,205)	(1,923)	(21,645)
Translation adjustment	137	-	-	-	137
31 December 2020	15,794	62,028	2,240	734	80,796

8.1.2 Lease liabilities

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
Lease payments	57,572	51,383	7,625	1,623
Less: Deferred interest expenses	(5,154)	(5,408)	(449)	(116)
Total	52,418	45,975	7,176	1,507
Less: Portion due within one year	(21,363)	(15,827)	(3,668)	(568)
Lease liabilities - net of current portion	31,055	30,148	3,508	939

A maturity analysis of lease payments is disclosed in Note 36.2 under the liquidity risk.

8.1.3 Expenses relating to leases that are recognised in profit or loss

(Unit: Thousand Baht)

	For the year ended 31 December 2020	
	Consolidated financial statements	Separate financial statements
Depreciation expense of right-of-use assets	21,645	4,700
Interest expense on lease liabilities	3,326	535
Expense relating to short-term leases	10,242	4,156
Expense relating to leases of low-value assets	278	10

8.1.4 Others

The Group had total cash outflows for leases for the year ended 31 December 2020 of Baht 41.7 million, including the cash outflow related to short-term lease and leases of low-value assets.

9. Provision for long-term employee benefits

Provision for long-term employee benefits, which represents compensations payable to employees' retirement and long service awards, was as follows:

(Unit: Thousand Baht)

	Consolidated financial statements					
	Retirement benefits plan		Long service awards plan		Total	
	2020	2019	2020	2019	2020	2019
Provision for long-term employee benefits at beginning of year	263,352	198,055	4,395	1,105	267,747	199,160
Included in profit or loss:						
Current service cost	19,180	19,216	398	419	19,578	19,635
Interest cost	6,761	6,502	103	109	6,864	6,611
Past service costs	-	55,710	-	2,981	-	58,691
Actuarial loss arising from						
Financial assumptions changes	-	-	-	356	-	356
Experience adjustments	-	-	-	135	-	135
Included in other comprehensive income:						
Actuarial loss arising from						
Financial assumptions changes	-	15,192	-	-	-	15,192
Experience adjustments	-	910	-	-	-	910
Benefits paid during the year	(43,268)	(32,233)	-	(117)	(43,268)	(32,350)
Reclassify the portion due to accrued expenses	(6,586)	-	-	(593)	(6,586)	(593)
Provision for long-term employee benefits at end of year	239,439	263,352	4,896	4,395	244,335	267,747

(Unit: Thousand Baht)

	Separate financial statements					
	Retirement benefits plan		Long service awards plan		Total	
	2020	2019	2020	2019	2020	2019
Provision for long-term employee benefits at beginning of year	117,305	89,630	3,298	1,105	120,603	90,735
Included in profit or loss:						
Current service cost	7,629	7,630	313	325	7,942	7,955
Interest cost	3,115	2,991	77	80	3,192	3,071
Past service costs	-	26,819	-	1,890	-	28,709
Actuarial loss arising from						
Financial assumptions changes	-	-	-	356	-	356
Experience adjustments	-	-	-	135	-	135
Included in other comprehensive income:						
Actuarial loss arising from						
Financial assumptions changes	-	9,332	-	-	-	9,332
Experience adjustments	-	1,447	-	-	-	1,447
Benefits paid during the year	(24,743)	(20,544)	-	-	(24,743)	(20,544)
Reclassify the portion due to accrued expenses	-	-	-	(593)	-	(593)
Provision for long-term employee benefits at end of year	103,306	117,305	3,688	3,298	106,994	120,603

The Group expects to pay Baht 20.3 million of long-term employee benefits during the next year (Separate financial statements: Baht 7.3 million) (2019: Baht 16.4 million, separate financial statements: Baht 6.7 million).

As at 31 December 2020, the weighted average duration of the liabilities for long-term employee benefit is 13 years (Separate financial statements: 13 years) (2019: 13 years, separate financial statements: 13 years).

Management's Point of View

Over the past few years, several external factors have been rapidly changing such as the trade war between United State of America and China, the tension and boycott of some countries in the Middle East, Brexit, natural disasters and climate changes in several regions all over the world, the outbreak of coronavirus disease (COVID-19) in many countries around the world. All those occurrences impact all businesses and industries including motor compressor and other related industries in the supply chain.

In 2020, the overall world economic situation has been affected from the outbreak of coronavirus disease (COVID-19) since the beginning of last year. The overall Thai economic is still in the recession stage. Moreover, the company has also been confronting with extremely fierce competition during this period. The world biggest manufacturers in China created price reduction especially for small reciprocating motor compressors for household refrigerators.

However, other factors such as Global Warming and a worldwide increase in purchasing power created rising world demand for refrigeration products and air-conditioning products. This presents a good business opportunity and as manufacturers aim at improve and further develop reciprocating motor compressors to satisfy customers demand as it's competitive in terms of both price and quality.

The management of company aims to continuously manage the company in the ways which reinforce good competitive advantages and cover business risks. For instance,

1. Accelerate the growth in current markets while going into new markets and at the same time being responsive to serve the customers demand.
2. Create and maintain good relationships with current business alliances and customers.
3. Focus on developing new products to satisfy the market demand of better quality, lower cost and low energy consumption to respond the market demand and serve the changing regulation and environmental concerns relating to refrigerants for refrigerators and air conditioner.
4. To continue both efficiency improvements and cost reduction activities.
5. Emphasize the company and subsidiary companies' management to ensure efficiency by having a competitive advantage from the in line business operations of the group of company and improve productivity of all production process.
6. Manage and control all financial transaction of the company and subsidiaries to allied with all conditions of the signed credit facilities agreement with Kasikorn Bank Public Company Limited, Bangkok Bank Public Company Limited, and ICBC (Thai) Bank Public Company Limited.
7. Manage the effects foreign exchange rate or possible exposures on the foreign currency by entering to some extended Forward Exchange Contracts.
8. To negotiate with new partner in order to increase the market share.

By all defined countermeasures, the Management believes that the business competitive advantages of company will be secure and the operations will be growth and success as the target.

Audit Committee's Report

The Audit committee of Kulthorn Kirby Public Company Limited (the Company) consists of 3 independent directors who are qualified as independent directors with qualifications consistent with the requirements and best practices for the audit committee of The Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET) by performing duties in accordance with the scope of responsibility assigned from the Board of Directors and in accordance with the Charter of the audit committee. In 2020 Mr. Padoong Techasarintr retired from the Committee before the expiration of term on 5 th June 2020 and on 12 nd June 2020 the Committee appointed Mrs. Benjawan Ratanaprayul as a Committee in place of Mr. Padoong Techasarintr resigned.

In 2020, there are 8 meetings and a summary of operation reports is provided to the Board of Directors on a quarterly basis. The meeting attendance details of each audit committee are as follows:

		Number of Meeting	Number of Enter
Mr.Tawatchai Jaranakaran	the chairman	8	8
Mr. Padoong Techasarintr	the member	3	3
Vice Admiral Naruedom Sa-ardyen RTN.	the member	8	7
Mrs. Benjawan Ratanaprayul	the member	5	5

In each meeting, the Audit committee discussed with the management, the auditor and the internal auditor. In addition, there were 1 meeting with the auditor without the management team attending the meeting for independent consultation in the operations that are important in the preparation of financial statements, opinions, scope of work , plans and annual auditing procedures of the auditors. The audit committee has expressed opinions and provided independent observations and recommendations are comments and recommendations on various matters are as follows :

1 **Reviewing of the accuracy of financial reports and the sufficiency of information disclosure:** the Audit committee has reviewed the financial reports both quarterly and for the year 2020 of the company and its subsidiaries. And also significant accounting policies and significant financial reports by reviewing the implementation of Accounting standards by the Federation of Accounting Professions including adequate disclosure of important information in the notes to financial statements in accordance with Thai Financial Reporting Standards (TFRS) which has been reviewed and audited by an auditor as well as issues found with the management by the auditor.

Audit committee reviewed that the company's financial reports were with the Federation of Accounting Professions Standards is correct and complete as it should be in essence and reliable, including the selection of accounting policies that are reasonable and important information is disclosed. However, the auditor's report notices about significant uncertainties relating to the Kulthorn Group's on going concern but did not provide conditional comments on this case.

2 Reviewing the sufficiency of the internal control system : the Audit committee has reviewed the audit report of the internal audit department and the auditor regarding the evaluation of the internal control system of the company and subsidiaries .There was no issue or deficiency that could significantly affect the company. As well as the management has continuously improved according to the recommendations of the audit committee, auditors and internal auditors. The importance of internal control of the company can reasonably establish confidence that the company has sufficient internal control.

3 Reviewing risk management : Board of directors and the management gives importance to risk management by considering an appropriate of the business environment and changes in various areas in order to set operational measures and manage risks in order to prevent or mitigate the potential impact on business operations.

In the year 2020, the Audit committee gave remarks and recommendations to the Board of Directors and the management about business risks in various fields such as the current competitive situation from both domestic and foreign countries, the resource management, the production costs and liquidity management. The management acknowledges and defines risk management guidelines in order to prevent and mitigate the effects on the company's business operations.

4 Reviewing related transactions or transactions which might cause conflict of interests : the Audit committee has reviewed the related transaction or transactions that may have conflicts of interest that are considered as related transactions under the notification of the Stock Exchange of Thailand (SET) and the Securities and Exchange Commission(SEC).The results of the review of related party transactions found that the company has acted in accordance with general trade conditions, fair, reasonable and does not cause the transfer of benefits including complete and sufficient disclosure by adhering to good corporate governance policies and announcement of the Stock Exchange of Thailand (SET).

5 Good Corporate Governance : the Audit committee has reviewed the company's operation to ensure that it is in compliance with the Securities and Exchange Commission(SEC), the regulations of the Stock Exchange of Thailand (SET) and laws which are relevant to the company's businesses, as well as monitoring the compliance of corporate governance to create transparency and reliability.

6 The self-assessment of the Audit Committee : the Audit committee reviewed and assessed their performance during the year 2020 that comply with the good corporate governance guidelines suggested by the Securities and Exchange Commission(SEC). The assessment results showed that the Audit committee has effectively carried out their duties in accordance with the scope, duties and responsibilities as stipulated in the Audit Committee's Charter.

7 Appointment of the external auditors and review of the audit fee for 2021 : the Audit committee considered and proposed to the company's Board of Directors to be further approved at the General Meeting of the shareholders, appointment of the EY Office Limited as the company's auditors for another year in 2021 by Ms. Siriwan Suratepin, a certified public accountant number 4604, and/or Mrs. Sarinda Hiranprasertwut, a certified public accountant number 4799, and/or Mr. Wichart Lokatekrawee, a certified public accountant number 4451. The audit reviewing fees is 2,240,000 baht.

In summary, the performance of the Audit committee in 2020 is independently performing duties and responsibilities. Specified in the charter of the audit committee by using knowledge, ability, and sufficiently caution for the benefit of all stakeholders.

February 24th, 2021
On behalf of the Audit Committee

Mr. Tawatchai Jaranakaran
Chairman of the Audit Committee

Declaration of the Directors' Responsibility for the Financial Statements

The Board of Directors of the Kulthorn Kirby Public Company Limited (KKC) has prepared the Company's financial statements to show its financial status and performance for 2020 under the Public Company Limited Act of 1992, the Accounting Act of 2000, the Securities and Exchange Act of 1992 and the announcement of the Capital Market Supervisory Board concerning the criteria, conditions and reporting method for the disclosure of information on financial status and performance of companies that issue securities.

The Board recognizes its duties and responsibility for directing a listed company, particularly the responsibility for financial statements of the Company and its subsidiaries including financial information that appears in the annual report of 2020. Such statements have been prepared under generally accepted accounting principles, with a suitable accounting policy chosen and due discretion exercised for sensible estimation. Adequate significant information has been disclosed in the notes to these financial statements for transparent use by shareholders and general investors.

The Board has instituted and maintained effective practices for the risk of company business and internal control systems to become reasonably confident of accurate, complete and adequate accounting information to retain Company assets and prevent frauds or significant anomalies in operation.

The Audit Committee, acting on behalf of the Board, has been assigned responsibility for the quality of financial reports and internal control system and its opinions duly appear in its own report as shown in Annual Report.

It is our view that KKC's internal control system is, on the whole, satisfactory and can reasonably assure us that the financial statements of KKC and its subsidiaries ended December 31, 2020 are reliable in accordance with Thai Financial Reporting Standards, legally sound and acceptable to relevant regulations.

Mr. Sumeth Simakulthorn
Chairman

Mr. Titisak Simakulthorn
President

Independent Auditor's Report

To the Shareholders of Kulthorn Kirby Public Company Limited

Opinion

I have audited the accompanying consolidated financial statements of Kulthorn Kirby Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Kulthorn Kirby Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kulthorn Kirby Public Company Limited and its subsidiaries and of Kulthorn Kirby Public Company Limited as at 31 December 2020, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Group in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Material Uncertainty Related to Going Concern

I draw attention to Note 1.2 to the financial statements regarding the ability of the Group to continue as a going concern. The Group has sustained operating losses for a number of consecutive years, and as at 31 December 2020, the Group's total current liabilities exceed its total current assets by Baht 2,252 million (The Company only: Baht 2,515 million) and the Group has deficit of Baht 2,312 million (the Company only: Baht 1,499 million). Currently, the Group is in the process of implementing operational plans to change its strategies and future business model and seeking additional sources of funds. The Group's management believes that the Group will be able to continue as a going concern.

Additionally, Note 1.3 to the financial statements, the Coronavirus disease 2019 pandemic is adversely impacting most businesses and industries. This situation significantly affects the Group's business activities in terms of supply chains and operational delays, and this is significantly impacting the Group's financial position, operating results, and cash flows at present, and is expected to do so in the future, including compliance with debt covenants. The Group's management has continuously monitored ongoing developments and is evaluating the impact on the financial statements. The impact subject to changes in circumstances in the future.

The above circumstances indicate that there are significant uncertainties which may raise substantial doubt about the Group's ability to continue as a going concern. This will depend on the success of plans to improve future operations and seeking additional sources of funds, including the impact of the COVID-19 situation.

My opinion is not modified in respect of this matter.

Emphasis of Matter

I draw attention to Note 5 to the financial statements, during the current year, the Group changed its accounting policy for recording of land, land improvement and building from cost model to revaluation model. In addition, the Group changed its accounting estimates with respect to the useful lives of land improvement and building.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, key audit matters and how audit procedures respond for each matter are described below.

Revenue recognition

The revenue amount is material and has a significant impact on the financial statements as the Group has a large number of both local and export sales transactions. In addition, there have been more intense competition in the manufacture and distribution of compressor industry as well as current environmental awareness. Therefore, I draw a special attention to the revenue recognition of the Group.

I examined the revenue recognition of the Group by assessing and testing the Group's internal controls with respect to the revenue cycle by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls. I applied a sampling method to select sales to assess whether revenue recognition was consistent with the conditions of sales and in compliance with the Group's policy. On a sampling basis, I examined supporting documents for actual sales transactions occurring during the year and near the end of the accounting period. I reviewed credit notes that the Group had issued after the period end as well as performed analytical procedures to detect possible irregularities in sales transactions throughout the period.

Allowance for diminution in value of inventory

Estimating the net realisable value of inventory, as disclosed in the Note 7 and Note 11 to the financial statements, is an area of significant management judgement, particularly with regard to the estimation of provision for the lower of cost and net realisable value, slow-moving and obsolete inventory. This requires detailed analysis of the product life cycle, the fluctuation of material's price, the competitive environment, economic circumstances and the situation within the industry. There is a risk with respect to the amount of provision set aside for diminution in the value of inventory.

I assessed and tested the internal controls of the Group relevant to the determination of provision for diminution in the value of inventory by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls. In addition, I assessed the method and the assumptions applied by management in determining such provision. The procedures that I performed included:

- Gaining an understanding of the basis applied in determining the provision for diminution in value of inventory and reviewing the consistency of the application of that basis, and the rationale for the recording of specific provisions.
- Comparing the inventory holding periods and inventory movements to identify product lines with indicators of lower than normal inventory turnover.

- Comparing proceeds from sales transactions occurring after the date of the financial statements with the cost of inventory for each product.
- Comparing historical data of actual losses on sales and write-offs of inventory with the provision for diminution in value of inventory recorded at the preceding year-end.

Investments in subsidiaries

The Company recorded allowance for impairment loss on investments in subsidiaries amounting to Baht 1,543 million in the separate financial statements as disclosed in Note 13 to the financial statements. The consideration of value of investments, especially for impairment assessment, is a significant accounting estimate requiring the management to exercise a high degree of judgement in forecasting of business and operation results, and setting an appropriate discount rate as well as other significant assumptions. There are thus risks with respect to the value of investments in subsidiaries.

I assessed the management's consideration regarding the impairment of investments in subsidiaries by gaining an understanding of the management's decision-making process in valuing the expected recoverable amount. In this regard, I assessed the method applied in determining the fair value of investments as well as the financial models selected by the management in determining cash flows expected to be realised from investments. In addition, I tested the significant assumptions applied by the management in making estimates of the cash flows expected to be realised from investments in such subsidiaries, by comparing these assumptions with information from both internal and external sources of the Company and comparing past cash flow projections with actual operating results in order to evaluate the exercise of management judgement in estimating the cash flow projection. I also evaluated the discount rate applied by the management though an analysis of the average cost of capital and other information of the Company and of the industry, tested the calculation of the realisable value from those investments using the selected financial model, as well as considered the impact of changes in key assumptions on those realisable values of cash flow projection.

Other Information

Management is responsible for the other information. The other information comprise the information included in annual report of the Group, but does not include the financial statements and my auditor's report thereon. The annual report of the Group is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with

the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the annual report of the Group, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

I am responsible for the audit resulting in this independent auditor's report.

Sarinda Hirunprasurtwutti
Certified Public Accountant (Thailand) No. 4799

EY Office Limited
Bangkok: 24 February 2021

Statements of financial position

Kulthorn Kirby Public Company Limited and its subsidiaries

As at 31 December 2020

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2020	2019	2020	2019
Assets					
Current assets					
Cash and cash equivalents	*9*	28,864,272	137,916,360	13,225,520	51,426,034
Trade and other receivables	*10*	1,095,835,595	938,945,781	726,440,625	589,156,922
Short-term loans to related parties	*8*	-	-	30,000,000	50,000,000
Inventories	*11*	1,239,335,329	1,573,588,505	802,364,443	939,771,250
Current tax assets		6,547,822	6,460,604	829,099	880,967
VAT receivable		33,293,709	26,636,854	24,086,969	17,820,198
Other current assets	*12*	91,346,952	88,316,745	38,598,461	35,678,530
Total current assets		2,495,223,679	2,771,864,849	1,635,545,117	1,684,733,901
Non-current assets					
Investments in subsidiaries	*13*	-	-	2,086,872,497	2,086,872,497
Property, plant and equipment	*14*	4,047,319,499	3,177,220,804	2,418,861,893	1,788,600,861
Right-of-use assets	*20*	80,796,211	-	5,957,377	-
Goodwill on business combination	*15*	-	-	-	-
Other intangible assets	*16*	80,117,860	86,708,289	47,542,982	47,585,329
Advance payment for purchase of fixed assets		-	5,322,761	-	5,322,761
Deferred tax assets	*29*	28,561,969	220,261,494	7,176,101	150,049,814
Other non-current assets		1,061,492	1,363,193	882,428	1,127,638
Total non-current assets		4,237,857,031	3,490,876,541	4,567,293,278	4,079,558,900
Total assets		6,733,080,710	6,262,741,390	6,202,838,395	5,764,292,801

The accompanying notes are an integral part of the financial statements.

Statements of financial position (continued)

Kulthorn Kirby Public Company Limited and its subsidiaries

As at 31 December 2020

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2020	2019	2020	2019
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans from financial institutions	*17*	3,550,847,254	3,485,579,349	2,119,739,220	2,085,734,038
Trade and other payables	*18*	751,506,914	616,780,348	1,127,025,344	799,938,262
Short-term loans from related parties	*8*	-	-	481,000,000	512,000,000
Current portion of long-term loans	*19*	400,000,000	1,075,300,000	400,000,000	1,075,300,000
Current portion of liabilities under financial lease agreements	*20*	-	15,826,548	-	568,257
Current portion of lease liabilities	*20*	21,362,459	-	3,668,189	-
Dividend payable		891,124	891,162	887,083	887,121
Income tax payable		-	61,369	-	-
Other current financial liabilities		488,523	-	488,523	-
Other current liabilities	*21*	22,375,868	31,359,997	17,474,127	22,087,510
Total current liabilities		4,747,472,142	5,225,798,773	4,150,282,486	4,496,515,188
Non-current liabilities					
Long-term loans, net of current portion	*19*	675,300,000	-	675,300,000	-
Liabilities under financial lease agreements, net of current portion	*20*	-	30,147,508	-	938,613
Lease liabilities, net of current portion	*20*	31,055,302	-	3,507,799	-
Deferred tax liabilities	*29*	43,820,015	-	-	-
Provision for long-term employee benefits	*22*	244,335,042	267,746,826	106,994,177	120,602,611
Total non-current liabilities		994,510,359	297,894,334	785,801,976	121,541,224
Total liabilities		5,741,982,501	5,523,693,107	4,936,084,462	4,618,056,412

The accompanying notes are an integral part of the financial statements.

Statements of financial position (continued)

Kulthorn Kirby Public Company Limited and its subsidiaries

As at 31 December 2020

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2020	2019	2020	2019
Shareholders' equity					
Share capital	*23*				
Registered					
1,500,000,000 ordinary shares of Baht 1 each		1,500,000,000	1,500,000,000	1,500,000,000	1,500,000,000
Issued and fully paid up					
1,500,000,000 ordinary shares of Baht 1 each		1,500,000,000	1,500,000,000	1,500,000,000	1,500,000,000
Share premium		700,000,000	700,000,000	700,000,000	700,000,000
Surplus from business combination under common control		207,897,949	207,897,949	-	-
Retained earnings (deficits)					
Appropriated - statutory reserve	*25*	120,000,000	120,000,000	120,000,000	120,000,000
Unappropriated		(2,431,900,639)	(1,794,366,608)	(1,619,155,196)	(1,173,763,611)
Other components of shareholders' equity		895,100,899	5,516,942	565,909,129	-
Total shareholders' equity		991,098,209	739,048,283	1,266,753,933	1,146,236,389
Total liabilities and shareholders' equity		6,733,080,710	6,262,741,390	6,202,838,395	5,764,292,801

The accompanying notes are an integral part of the financial statements.

Directors

Statements of comprehensive income

Kulthorn Kirby Public Company Limited and its subsidiaries

For the year ended 31 December 2020

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2020	2019	2020	2019
Profit or loss:					
Revenues					
Revenue from contracts with customers	*8, 26, 30, 32*	5,580,112,810	5,939,976,371	3,177,643,376	2,947,917,841
Rental income		1,766,000	1,589,000	13,579,420	13,378,457
Other income		17,597,593	12,660,904	17,816,513	20,368,062
Gain on exchange		-	7,074,002	-	-
Total revenues		5,599,476,403	5,961,300,277	3,209,039,309	2,981,664,360
Expenses					
Cost of sales and services	*8*	5,406,294,538	6,148,503,832	3,112,105,210	3,099,322,658
Selling and distribution expenses		81,653,334	93,436,274	41,353,186	46,726,335
Administrative expenses		454,242,533	596,403,735	287,723,043	389,169,451
Loss on exchange		20,489,681	-	8,363,872	1,744,476
Impairment loss on assets	*14*	65,941,611	6,275,612	55,303,530	-
Impairment loss on investment in subsidiary	*13*	-	-	-	500,000,000
Total expenses		6,028,621,697	6,844,619,453	3,504,848,841	4,036,962,920
Operating loss		(429,145,294)	(883,319,176)	(295,809,532)	(1,055,298,560)
Finance income		76,606	257,950	1,811,070	3,282,693
Finance cost	*27*	(202,167,997)	(207,371,304)	(157,599,141)	(167,870,074)
Loss before income tax		(631,236,685)	(1,090,432,530)	(451,597,603)	(1,219,885,941)
Income tax	*29*	(6,965,299)	(33,296,755)	937,395	(3,697,073)
Loss for the year		(638,201,984)	(1,123,729,285)	(450,660,208)	(1,223,583,014)

The accompanying notes are an integral part of the financial statements.

Statements of comprehensive income (continued)

Kulthorn Kirby Public Company Limited and its subsidiaries

For the year ended 31 December 2020

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2020	2019	2020	2019
Other comprehensive income:					
Other comprehensive income to be reclassified					
to profit or loss in subsequent periods:					
Exchange differences on translation of					
financial statements in foreign currency		1,918,405	7,669,272	-	-
Other comprehensive income to be reclassified					
to profit or loss in subsequent periods - net of income tax		1,918,405	7,669,272	-	-
Other comprehensive income not to be reclassified					
to profit or loss in subsequent periods:					
Actuarial loss	*22*	-	(16,102,300)	-	(10,778,962)
Less: Income tax effect	*29*	-	2,914,663	-	2,155,792
		-	(13,187,637)	-	(8,623,170)
Revaluation surplus on assets	*5*	1,129,373,578	-	719,055,541	-
Less: Income tax effect	*5, 29*	(229,242,911)	-	(143,811,108)	-
		900,130,667	-	575,244,433	-
Other comprehensive income not to be reclassified					
to profit or loss in subsequent periods - net of income tax		900,130,667	(13,187,637)	575,244,433	(8,623,170)
Other comprehensive income for the year		902,049,072	(5,518,365)	575,244,433	(8,623,170)
Total comprehensive income for the year		263,847,088	(1,129,247,650)	124,584,225	(1,232,206,184)
Basic loss per share	*31*				
Loss attributable to equity holders of the Company		(0.43)	(0.88)	(0.30)	(0.95)

The accompanying notes are an integral part of the financial statements.

Statements of changes in shareholders' equity

Kulthorn Kirby Public Company Limited and its subsidiaries

For the year ended 31 December 2020

(Unit: Baht)

	Consolidated financial statements								
						Other components of shareholders' equity			
						Other comprehensive income			
	Issued and fully paid-up share capital	Share premium	Surplus from business combination under common control	Retained earnings		Exchange differences on translation of financial statements in foreign currency	Revaluation surplus on assets	Total other components of shareholders' equity	Total shareholders' equity
				Appropriated	Unappropriated				
Balance as at 1 January 2019	1,200,000,000	700,000,000	207,897,949	120,000,000	(657,449,686)	(2,152,330)	-	(2,152,330)	1,568,295,933
Loss for the year	-	-	-	-	(1,123,729,285)	-	-	-	(1,123,729,285)
Other comprehensive income for the year	-	-	-	-	(13,187,637)	7,669,272	-	7,669,272	(5,518,365)
Total comprehensive income for the year	-	-	-	-	(1,136,916,922)	7,669,272	-	7,669,272	(1,129,247,650)
Increase share capital (Note 23)	300,000,000	-	-	-	-	-	-	-	300,000,000
Balance as at 31 December 2019	1,500,000,000	700,000,000	207,897,949	120,000,000	(1,794,366,608)	5,516,942	-	5,516,942	739,048,283
Balance as at 1 January 2020	1,500,000,000	700,000,000	207,897,949	120,000,000	(1,794,366,608)	5,516,942	-	5,516,942	739,048,283
Comulative effect of change in accounting policy (Note 4)	-	-	-	-	(11,797,162)	-	-	-	(11,797,162)
Balance as at 1 January 2020 - as restated	1,500,000,000	700,000,000	207,897,949	120,000,000	(1,806,163,770)	5,516,942	-	5,516,942	727,251,121
Loss for the year	-	-	-	-	(638,201,984)	-	-	-	(638,201,984)
Other comprehensive income for the year	-	-	-	-	-	1,918,405	900,130,667	902,049,072	902,049,072
Total comprehensive income for the year	-	-	-	-	(638,201,984)	1,918,405	900,130,667	902,049,072	263,847,088
Transfer revaluation surplus on assets to retained earnings (Note 24)	-	-	-	-	12,465,115	-	(12,465,115)	(12,465,115)	-
Balance as at 31 December 2020	1,500,000,000	700,000,000	207,897,949	120,000,000	(2,431,900,639)	7,435,347	887,665,552	895,100,899	991,098,209

The accompanying notes are an integral part of the financial statements.

Statements of changes in shareholders' equity (continued)

Kulthorn Kirby Public Company Limited and its subsidiaries

For the year ended 31 December 2020

(Unit: Baht)

	Separate financial statements					
					Other components of shareholders' equity	
					Other comprehensive income	
	Issued and fully paid-up share capital	Share premium	Retained earnings		Revaluation surplus on assets	Total shareholders' equity
			Appropriated	Unappropriated		
Balance as at 1 January 2019	1,200,000,000	700,000,000	120,000,000	58,442,573	-	2,078,442,573
Loss for the year	-	-	-	(1,223,583,014)	-	(1,223,583,014)
Other comprehensive income for the year	-	-	-	(8,623,170)	-	(8,623,170)
Total comprehensive income for the year	-	-	-	(1,232,206,184)	-	(1,232,206,184)
Increase share capital (Note 23)	300,000,000	-	-	-	-	300,000,000
Balance as at 31 December 2019	1,500,000,000	700,000,000	120,000,000	(1,173,763,611)	-	1,146,236,389
Balance as at 1 January 2020	1,500,000,000	700,000,000	120,000,000	(1,173,763,611)	-	1,146,236,389
Comulative effect of change in accounting policy (Note 4)	-	-	-	(4,066,681)	-	(4,066,681)
Balance as at 1 January 2020 - as restated	1,500,000,000	700,000,000	120,000,000	(1,177,830,292)	-	1,142,169,708
Loss for the year	-	-	-	(450,660,208)	-	(450,660,208)
Other comprehensive income for the year	-	-	-	-	575,244,433	575,244,433
Total comprehensive income for the year	-	-	-	(450,660,208)	575,244,433	124,584,225
Transfer revaluation surplus on assets to retained earnings (Note 24)		-	-	9,335,304	(9,335,304)	-
Balance as at 31 December 2020	1,500,000,000	700,000,000	120,000,000	(1,619,155,196)	565,909,129	1,266,753,933

The accompanying notes are an integral part of the financial statements.

Cash flow statements

Kulthorn Kirby Public Company Limited and its subsidiaries

For the year ended 31 December 2020

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
Cash flows from operating activities				
Loss before tax	(631,236,685)	(1,090,432,530)	(451,597,603)	(1,219,885,941)
Adjustments to reconcile profit before tax to				
net cash provided by (paid from) operating activities:				
Depreciation and amortisation	351,026,612	363,119,710	164,868,315	156,014,097
Allowance for impairment loss on property,				
plant and equipment	65,941,611	6,275,612	55,303,530	-
Amortise right-of-use assets	21,645,095	-	4,699,953	-
Allowance for impairment loss on investment in subsidiaries	-	-	-	500,000,000
Reversal of allowance for doubtful accounts	-	(6,570,336)	-	(8,025,492)
Allowance for expected credit losses (reversal)	2,618,746	-	(423,700)	-
Bad debt	-	10,441,276	-	10,441,276
Reversal of the reduction of inventory to net realisable value	(50,247,830)	(18,161,799)	(24,817,859)	(11,097,582)
Loss (gain) on sales of property, plant and equipment	(3,095,661)	1,304,099	(1,437,842)	(165,060)
Loss on write-off property, plant and equipment	404	235,071	-	115
Transfer machine under installation to expense	6,976,285	-	6,976,285	-
Write-off withholding tax	2,415,291	1,334,280	-	528,838
Amortise deferred revenue from sales and lease back	(222,014)	(129,508)	-	-
Provision for long-term employee benefits	26,442,227	85,427,597	11,134,513	40,225,983
Subsidies income from Government grants	(3,859,308)	(4,527,740)	(3,859,308)	(4,527,740)
Unrealised loss (gain) on exchange	3,269,485	(3,430,061)	1,555,669	(1,995,112)
Loss on fair value adjustments of financial instruments	809,508	-	809,508	-
Dividend income	(3,805)	(2,727)	(3,805)	(2,727)
Finance income	(76,606)	(257,950)	(1,811,070)	(3,282,693)
Finance cost	202,167,997	207,371,304	157,599,141	167,870,074
Loss from operating activities before				
changes in operating assets and liabilities	(5,428,648)	(448,003,702)	(81,004,273)	(373,901,964)
Operating assets (increase) decrease				
Trade and other receivables	(166,884,522)	211,718,219	(168,430,203)	40,387,825
Inventories	384,501,006	788,422,280	162,224,666	505,563,038
Other current assets	(28,209,458)	78,244,489	(14,994,114)	53,441,358
Other non-current assets	301,701	(4,497)	245,210	14,000
Operating liabilities increase (decrease)				
Trade and other payables	148,877,582	(156,513,936)	371,311,478	107,480,873
Other current liabilities	(4,902,807)	2,762,497	(754,075)	1,182,079
Cash flows from operating activities	328,254,854	476,625,350	268,598,689	334,167,209
Cash paid for long-term employee benefits	(43,267,867)	(32,350,349)	(24,742,947)	(20,543,850)
Interest received	76,606	257,950	2,051,805	3,366,279
Tax refund received	18,201,411	-	5,486,427	-
Interest paid	(206,071,757)	(219,331,509)	(161,661,719)	(179,559,174)
Corporate income tax paid	(7,297,863)	(7,589,459)	(829,099)	(880,967)
Net cash flows from operating activities	89,895,384	217,611,983	88,903,156	136,549,497

The accompanying notes are an integral part of the financial statements.

Cash flow statements (continued)

Kulthorn Kirby Public Company Limited and its subsidiaries

For the year ended 31 December 2020

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
Cash flows from investing activities				
Acquisition of property, plant and equipment and intangible assets	(469,134,522)	(524,462,400)	(387,976,205)	(421,067,484)
Proceeds from sales of property, plant and equipment and intangible assets	3,864,615	611,342	1,643,826	203,859
Dividend income	3,805	2,727	3,805	2,727
Decrease in short-term loans to related parties	-	-	20,000,000	20,000,000
Net cash flows used in investing activities	(465,266,102)	(523,848,331)	(366,328,574)	(400,860,898)
Cash flows from financing activities				
Increase in bank overdrafts and short-term loans from financial institutions	9,406,162,009	4,719,488,440	3,318,637,949	2,949,360,885
Decrease in bank overdrafts and short-term loans from financial institutions	(9,102,370,820)	(4,284,517,763)	(3,044,736,195)	(2,498,944,852)
Decrease in short-term loans from related parties	-	-	(31,000,000)	(102,493,365)
Repayment of long-term loans	-	(400,000,000)	-	(400,000,000)
Payment of principal portion of lease liabilities	(27,881,977)	(60,041,815)	(3,676,812)	(944,495)
Preceed from sales and lease back	-	52,967,451	-	-
Proceed from increase share capital	-	300,000,000	-	300,000,000
Dividend paid	(38)	-	(38)	-
Net cash flows from financing activities	275,909,174	327,896,313	239,224,904	246,978,173
Increase (decrease) in translation adjustments	(9,590,544)	19,293,459	-	-
Net increase (decrease) in cash and cash equivalents	(109,052,088)	40,953,424	(38,200,514)	(17,333,228)
Cash and cash equivalents at beginning of year	137,916,360	96,962,936	51,426,034	68,759,262
Cash and cash equivalents at end of year	28,864,272	137,916,360	13,225,520	51,426,034
Supplement cash flows information				
1) Non-cash related transaction for investing activities				
Trust receipt and payable from acquisitions of fixed assets	16,792,605	277,508,027	10,500,151	265,471,434
Other receivable from sales of fixed assets	-	-	35,847,499	64,380,890
Revaluation surplus on assets	1,129,373,581	-	719,055,541	-
Transfer right-of-use assets to fixed assets	6,631,221	-	-	-
Offset other receivable from sales of fixed assets with trade payable	-	-	28,533,391	
2) Non-cash related transaction for financing activities				
Dividend payable	891,124	891,162	887,083	887,121
Assets acquired under lease liabilities	-	38,821,291	-	-

The accompanying notes are an integral part of the financial statements.

Notes to consolidated financial statements

Kulthorn Kirby Public Company Limited and its subsidiaries

For the year ended 31 December 2020

1. General information

1.1 Corporate information

Kulthorn Kirby Public Company Limited ("the Company") is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the manufacture and distribution of hermetic compressors. The registered address of the Company is 126 Soi Chalongkrung 31, Chalongkrung Road, Khwaeng Lamplatew, Khet Latkrabang, Bangkok.

1.2 Fundamental accounting assumptions

The Group has sustained operating loss for a number of consecutive years, and as at 31 December 2020, the Group's total current liabilities exceeded its total current assets by Baht 2,252 million (the Company only: Baht 2,515 million) and the Group has deficit of Baht 2,312 million (the Company only: Baht 1,499 million). Currently, the Group is in the process of implementing operational plans to change its strategies and future business model and seek additional sources of funds. Management believes that the Group will be able to continue as a going concern. Management has therefore decided that it is correct and appropriate to prepare the Group's financial statements for year ended 31 December 2020 under the going concern basis. Accordingly, such financial statements do not include any adjustments relating to the realisation of the recoverable amount and classification of the assets or the amount and classification of liabilities that might be necessary should the Group be unable to continue its operations as a going concern.

1.3 Coronavirus disease 2019 Pandemic

The COVID-19 pandemic is adversely impacting most businesses and industries. This situation significantly affects the Group's business activities in terms of supply chains and operational delays, and this is significantly impacting the Group's financial position, operating results, and cash flows at present, and is expected to do so in the future. The Group's management has continuously monitored ongoing developments and assessed the financial impact in respect of the valuation of assets, provisions and contingent liabilities, and has used estimates and judgement in respect of various issues as the situation has evolved.

2. Basis of preparation

2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 11 October 2016, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

2.2 Basis of consolidation

a) The consolidated financial statements include the financial statements of Kulthorn Kirby Public Company Limited ("the Company") and the following subsidiary companies ("the subsidiaries") (collectively as "the Group"):

Subsidiary companies	Nature of business	Country of incorporation	Percentage of shareholding	
			2020	2019
			Percent	Percent
Subsidiaries held by the Company				
Kulthorn Kirby Foundry Company Limited	Manufacturing and sales of iron castings for compressor parts and automotives parts	Thailand	100	100
Kulthorn Premier Company Limited	Manufacturing and sales of hermetic compressors for compressor parts	Thailand	100	100
Kulthorn Steel Company Limited	Slitting of electrical steel for compressor	Thailand	100	100
Kulthorn Materials and Controls Company Limited	Manufacturing and sales of enameled copper wires and thermostat used in air conditioners and refrigerators	Thailand	100	100
Kulthorn Research and Development Company Limited	Provision of services with respect to technology research and development for products and manufacturing	Thailand	100	100
Subsidiaries held directly and indirectly by Kulthorn Materials and Controls Company Limited				
Kulthorn Metal Products Company Limited	Manufacture and sell forging, machining and heat treatment metal parts	Thailand	100	100
Suzhou Kulthorn Magnet Wire Company Limited (held by Phelps Dodge Suzhou Holdings, Inc.)	Manufacture and sell enameled copper wire	China	100	100

b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.

c) Subsidiaries are fully consolidated, from the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.

d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.

e) The assets and liabilities in the financial statements of overseas subsidiary companies are translated into Baht using the exchange rate prevailing at the end of reporting period, and revenues and expenses are translated using monthly average exchange rates. The resulting differences are shown under the caption of "Exchange differences on translation of financial statements in foreign currency" in the statements of changes in shareholders' equity.

f) Material balances and transactions between the Group have been eliminated from the consolidated financial statements.

2.3 The separate financial statements present investments in subsidiaries under the cost method.

3. New financial reporting standards

(a) Financial reporting standards that became effective in the current year

During the year, the Group has adopted the revised (revised 2019) and new financial reporting standards and interpretations which are effective for fiscal years beginning on or after 1 January 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. The adoption of these financial reporting standards does not have any significant impact on the Group's financial statements. However, the new standard involves changes to key principles, which are summarised below:

Financial reporting standards related to financial instruments

The set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation

Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. They also include stipulations regarding the presentation and disclosure of financial instruments.

The adoption of these standards has the impact on the Group's financial statements to result in the following adjustments.

- Recognition of expected credit losses - The Group recognises an allowance for expected credit losses on its financial assets, and it is no longer necessary for a credit-impaired event to have occurred. The Group applies the simplified approach to consider impairment of trade receivables.
- Recognition of derivatives - The Group initially recognises derivatives at their fair value on the contract date and subsequently measures them at fair value at the end of each reporting period. Changes in the fair value of derivatives are recognised in profit or loss.

The Group recognised the cumulative effect of the adoption of these financial reporting standards as an adjustment to retained earnings as at 1 January 2020, and the comparative information was not restated.

The cumulative effect of the change is described in Note 4.

TFRS 16 Leases

TFRS 16 supersedes TAS 17, Leases, together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases.

The Group recognised the cumulative effect of the adoption of this financial reporting standard as an adjustment to retained earnings as at 1 January 2020, and the comparative information was not restated.

The cumulative effect of the change is described in Note 4.

Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the COVID-19 Pandemic

The Federation of Accounting Professions announced Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the COVID-19 Pandemic. Its objectives are to alleviate some of the impacts of applying certain financial reporting standards, and to provide clarification about accounting treatments during the period of uncertainty relating to this situation.

On 22 April 2020, the Accounting Treatment Guidance was announced in the Royal Gazette and it is effective for the financial statements prepared for reporting periods ending between 1 January 2020 and 31 December 2020.

During the period from the first quarter to the third quarter of 2020, the Group elected to apply the temporary relief measures on accounting alternatives relating to measurement of expected credit losses using a simplified approach, fair value measurement of property, plant and equipment, impairment of assets and reversal of deferred tax assets.

In the fourth quarter of 2020, the Group has assessed the financial impacts of the uncertainties of the COVID-19 Pandemic on the valuation of assets. As a result, in preparing the financial statements for the year ended 31 December 2020, the Group has decided to discontinue application of all temporary relief measures on accounting alternatives with no significant impact on the Group's financial statements.

(b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2021

The Federation of Accounting Professions issued a number of revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2021. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The management of the Group is currently evaluating the impact of these standards on the financial statements in the year when they are adopted.

4. Cumulative effects of changes in accounting policies due to the adoption of new financial reporting standards

As described in Note 3 to the financial statements, during the current year, the Group has adopted the set of financial reporting standards related to financial instruments and TFRS 16. The cumulative effect of initially applying these standards was recognised as an adjustment to retained earnings as at 1 January 2020. Therefore, the comparative information was not restated.

The impacts of changes in accounting policies on the statements of financial position at the beginning of 2020 due to the adoption of these standards are presented as follows:

(Unit: Thousand Baht)

	Consolidated financial statements			
		The impacts of		
	31 December 2019	Financial reporting standards related to financial instruments	TFRS 16	1 January 2020
Statement of financial position				
Assets				
Current assets				
Trade and other receivables	938,946	(9,611)	-	929,335
Non-current assets				
Property, plant and equipment	3,177,221	-	(74,610)	3,102,611
Right-of-use assets	-	-	115,914	115,914
Liabilities and shareholders' equity				
Current liabilities				
Current portion of liabilities under financial lease agreements	15,827	-	(15,827)	-
Current portion of lease liabilities	-	-	36,040	36,040
Other current financial liabilities	-	2,186	-	2,186
Non-current liabilities				
Liabilities under financial lease agreements, net of current portion	30,148	-	(30,148)	-
Lease liabilities, net of current portion	-	-	51,239	51,239
Shareholders' equity				
Deficit - unappropriated	(1,794,367)	(11,797)	-	(1,806,164)

(Unit: Thousand Baht)

	Separate financial statements			
		The impacts of		
	31 December 2019	Financial reporting standards related to financial instruments	TFRS 16	1 January 2020
Statement of financial position				
Assets				
Current assets				
Trade and other receivables	589,157	(1,881)	-	587,276
Non-current assets				
Property, plant and equipment	1,788,601	-	(1,311)	1,787,290
Right-of-use assets	-	-	9,657	9,657
Liabilities and shareholders' equity				
Current liabilities				
Current portion of liabilities under financial lease agreements	568	-	(568)	-
Current portion of lease liabilities	-	-	3,633	3,633
Other current financial liabilities	-	2,186	-	2,186
Non-current liabilities				
Liabilities under financial lease agreements, net of current portion	939	-	(939)	-
Lease liabilities, net of current portion	-	-	6,220	6,220
Shareholders' equity				
Deficit - unappropriated	(1,173,764)	(4,067)	-	(1,177,831)

4.1 Financial instruments

a) Details of the impact on retained earnings as at 1 January 2020 due to the first time adoption of financial reporting standards related to financial instruments are presented as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Recognition of an allowance for expected credit losses on financial assets	(9,611)	(1,881)
Recognition of derivatives at fair value through profit or loss	(2,186)	(2,186)
Impacts on retained earnings due to the adoption of financial reporting standards related to financial instruments	(11,797)	(4,067)

b) As at 1 January 2020, classification and measurement of financial assets required by TFRS 9, in comparison with classification and the former carrying amount, are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	
	Carrying amounts under the former basis	Classification and measurement in accordance with TFRS 9
		Amortised cost
Financial assets as at 1 January 2020		
Cash and cash equivalents	137,916	137,916
Trade and other receivables	938,946	929,335
Total financial assets	1,076,862	1,067,251

(Unit: Thousand Baht)

	Separate financial statements	
	Carrying amounts under the former basis	Classification and measurement in accordance with TFRS 9
		Amortised cost
Financial assets as at 1 January 2020		
Cash and cash equivalents	51,426	51,426
Trade and other receivables	589,157	587,276
Short-term loans to related parties	50,000	50,000
Total financial assets	690,583	688,702

As at 1 January 2020, the Group has not designated any financial liabilities at fair value through profit or loss except derivative liabilities of which fair value is Baht 2.2 million (Separate financial statements: Baht 2.2 million).

4.2 Leases

On adoption of TFRS 16, the Group recognised lease liabilities in relation to leases that previously classified as operating leases measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2020. For leases that previously classified as finance leases, the Group recognised the carrying amount of the lease assets and lease liabilities before transition as right-of-use assets and lease liabilities, respectively at the date of initial application.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Operating lease commitments as at 31 December 2019	37,435	-
Less: Short-term leases and leases of low-value assets	(2,132)	-
Add: Option to extend lease term	9,213	9,213
Less: Deferred interest expenses	(3,212)	(867)
Increase in lease liabilities due to TFRS 16 first time adoption	41,304	8,346
Liabilities under finance lease agreements as at 31 December 2019	45,975	1,507
Lease liabilities as at 1 January 2020	87,279	9,853
Incremental borrowing rate (percent per annum)	2.65 - 6.85	2.65 - 6.85
Comprise of:		
Current lease liabilities	36,040	3,633
Non-current lease liabilities	51,239	6,220
	87,279	9,853

The adjustments of right-of-use assets due to TFRS 16 first time adoption as at 1 January 2020 are summarised below:

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Land and land improvement	37,948	-
Machinery and equipment	72,864	5,166
Office equipment	3,445	3,180
Motor vehicles	1,657	1,311
Total right-of-use assets	115,914	9,657

5. Change in accounting policy for land and land improvement and building from cost model to revaluation model and change in accounting estimates

On 30 June 2020, the Group reviewed and changed its accounting policy on the value of property, plant and equipment for land and land improvement and building from cost model to revaluation model to reflect appropriate present value.

Regarding the change in the accounting policy, the Group has complied with TAS 8. This is considered a revaluation of assets in accordance with TAS 16 Property, Plant and Equipment, which does not require that the change be applied retrospectively. Therefore, the Group applied the change prospectively.

In addition, the Group changed its accounting estimates with respect to the useful lives of land improvement and building from 10 and 20 years to 10, 20, 30, 35, 40 and 45 years. The management of the Group believes that the new useful lives of assets are more appropriate and consistent with their expected economic benefits provided to the Group.

The Group applied the change in accounting estimates prospectively.

The effects of the change in accounting policy and the change in accounting estimates to the statements of financial position as at 31 December 2020 and as at 30 June 2020 and the statement of comprehensive income for the year ended 31 December 2020 are as follow:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 December 2020	30 June 2020	31 December 2020	30 June 2020
Statement of financial position:				
Increase in property, plant and equipment	1,118,807	1,129,374	711,993	719,056
Increase in deferred tax liabilities	226,230	229,243	141,478	143,811
Increase in surplus on revaluation of asset	887,666	900,131	565,909	575,244
Decrease in deficits - unappropriated	4,911	-	4,605	-

	(Unit: Thousand Baht) For the year ended 31 December 2020	
	Consolidated financial statements	Separate financial statements
Statement of comprehensive income:		
Profit or loss		
Impact to depreciation		
Increase in depreciation in cost of sales and services	(11,940)	(9,153)
Decrease in depreciation in administrative expenses	1,373	2,090
Decrease in income tax	3,013	2,333
Other comprehensive income:		
Increase in gain on revaluation of asset (net of income tax)	916,972	575,244
Increase in basic loss per share (Baht)	(0.005)	(0.003)

6. Significant accounting policies

6.1 Revenue and expense recognition

Sales of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Revenue is measured at the amount of the consideration received or receivable, excluding value added tax, of goods supplied after deducting returns, discounts, allowances and price promotions to customers.

Rendering of services

Service revenue is recognised at a point in time upon completion of the service.

Interest income

Interest income is calculated using the effective interest method and recognised on an accrual basis. The effective interest rate is applied to the gross carrying amount of a financial asset, unless the financial assets subsequently become credit-impaired when it is applied to the net carrying amount of the financial asset (net of the expected credit loss allowance).

Finance cost

Interest expense from financial liabilities at amortised cost is calculated using the effective interest method and recognised on an accrual basis.

Dividends

Dividends are recognised when the right to receive the dividends is established.

6.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

6.3 Inventories

Finished goods, work in process and raw materials are valued at the lower of cost (under the first-in, first-out method) and net realisable value. Cost of finished goods and work in process includes cost of materials, labour and overheads.

6.4 Investments in subsidiaries

Investments in the subsidiaries are accounted for in the separate financial statements using the cost method.

6.5 Property, plant and equipment and depreciation

Land is stated at revalued amount. Buildings and equipment are stated at cost or revalued amount less accumulated depreciation and allowance for loss on impairment of assets (if any).

Land and buildings are initially recorded at cost on the acquisition date, and subsequently revalued by an independent professional appraiser to their fair values. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the end of reporting period.

Differences arising from the revaluation are dealt with in the financial statements as follows:

- When an asset's carrying amount is increased as a result of a revaluation of the Group's assets, the increase is credited directly to the other comprehensive income and the cumulative increase is recognised in equity under the heading of "Revaluation surplus". However, a revaluation increase is recognised as income to the extent that it reverses a revaluation decrease in respect of the same asset previously recognised as an expense.
- When an asset's carrying amount is decreased as a result of a revaluation of the Group's assets, the decrease is recognised in profit or loss. However, the revaluation decrease is charged to the other comprehensive income to the extent that it does not exceed an amount already held in "Revaluation surplus" in respect of the same asset.

Depreciation of plant and equipment is calculated by reference to their costs or the revalued amount, on the straight-line basis over the following estimated useful lives:

Land improvement and plant	-	10, 20, 30, 35, 40, 45	years
Machineries	-	5, 8, 10, 15	years
Plant equipment	-	5	years
Furniture, fixtures and office equipment	-	3, 5, 10	years
Motor vehicles	-	5	years

Depreciation is included in determining income.

No depreciation is provided for land and construction in progress and machine under installation.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

6.6 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

6.7 Intangible assets

Intangible assets acquired through business combination are initially recognised at their fair value on the date of business acquisition while intangible assets acquired in other cases are recognised at cost. Following the initial recognition, the intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

A summary of the intangible assets with finite useful lives is as follows:

	Useful lives
Computer software	3 - 10 years

6.8 Goodwill

Goodwill is initially recorded at cost, which equals to the excess of cost of business combination over the fair value of the net assets acquired. If the fair value of the net assets acquired exceeds the cost of business combination, the excess is immediately recognised as gain in profit or loss.

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Company's cash generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combination. The Company estimates the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

6.9 Warranty reserve

Warranty reserve is estimated by reference to actual warranty expenses incurred and calculated at a percentage of cost of sales and quantities of products under warranty.

6.10 Leases

At inception of contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

Accounting policies adopted since 1 January 2020

The Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. At the commencement date of the lease (i.e. the date the underlying asset is available for use), the Group recognises right-of-use assets representing the right to use underlying assets and lease liabilities based on lease payments.

Right-of-use assets

Right-of-use assets are measured at cost, less accumulated depreciation, any accumulated impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities initially recognised, initial direct costs incurred, and lease payments made at or before the commencement date of the lease less any lease incentives received.

Depreciation of right-of-use assets are calculated by reference to their costs, on the straight-line basis over the shorter of their estimated useful lives and the lease term.

Land and land improvement	3, 33	years
Machinery and equipment	2 - 5	years
Office equipment	3 - 5	years
Motor vehicles	4 - 6	years

If ownership of the leased asset is transferred to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

Lease liabilities are measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be payable under residual value guarantees. Moreover, the lease payments include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The Group discounted the present value of the lease payments by the interest rate implicit in the lease or the Group's incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

A lease that has a lease term less than or equal to 12 months from commencement date or a lease of low-value assets is recognised as expenses on a straight-line basis over the lease term.

Accounting policies adopted before 1 January 2020

Leases of property, plant or equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in long-term payables, while the interest element is charged to profit or loss over the lease period. The assets acquired under finance leases is depreciated over the useful life of the asset.

Leases of property, plant or equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

The Group as a lessor

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to a lessee. Lease receivables from operating leases is recognised as income in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying assets and recognised as an expense over the lease term on the same basis as the lease income.

6.11 Related party transactions

Related parties comprise individuals or enterprises that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies, and individuals or enterprises which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors, and officers with authority in the planning and direction of the Company's operations.

6.12 Foreign currencies

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency. Items of each entity included in the consolidated financial statements are measured using the functional currency of that entity.

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

6.13 Impairment of non-financial assets

At the end of each reporting period, the Group performs impairment reviews in respect of the property, plant and equipment, right-of-use asset, and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. The Group also carries out annual impairment reviews in respect of goodwill and intangible assets with indefinite useful lives. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Group could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in profit or loss. However, in cases where property and plant were previously revalued and the revaluation was taken to equity, a part of such impairment is recognised in equity up to the amount of the previous revaluation.

In the assessment of asset impairment (except for goodwill), if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal, which exceeds the carrying amount that would have been determined, is treated as a revaluation increase.

6.14 Employee benefits

Short-term employee benefits

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

Post-employment benefits and other long-term employee benefits

Defined contribution plans

The Group and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Group. The fund's assets are held in a separate trust fund and the Group's contributions are recognised as expenses when incurred.

Defined benefit plans and other long-term employee benefits

The Group has obligations in respect of the severance payments they must make to employees upon retirement under labor law and other employee benefit plan. The Group treats these severance payment obligations as a defined benefit plan. In addition, the Group provides other long-term employee benefit plan, namely long service awards.

The obligation under the defined benefit plan and other long-term employee benefit plans is determined by a professionally qualified independent actuary based on actuarial techniques, using the Projected Unit Credit Method.

Actuarial gain and loss arising from defined benefit plans are recognised immediately in other comprehensive income.

Actuarial gain and loss arising from other long-term benefits are recognised immediately in profit and loss.

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Group recognises restructuring-related costs.

6.15 Government grants

Government grants are recognised when there is reasonable assurance that the grants will be received and that the Company will comply with the conditions attaching to them. Government grants related to assets are presented as deferred income and are recognised in profit or loss on a systematic basis over the useful life of the assets. Government grants related to income are recognised in profit or loss in the period which the Company is eligible to the grants, presented with the net amount of related expenses.

6.16 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

6.17 Income tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

Current tax

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

Deferred tax

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Group recognises deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Group reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Group records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

6.18 Financial instruments

Accounting policies adopted since 1 January 2020

The Group initially measures financial assets at its fair value plus, in the case of financial assets that are not measured at fair value through profit or loss, transaction costs. However, trade receivables, that do not contain a significant financing component, are measured at the transaction price as disclosed in the accounting policy relating to revenue recognition.

Classification and measurement of financial assets

Financial assets are classified, at initial recognition, as to be subsequently measured at amortised cost or fair value through profit or loss (“FVTPL”). The classification of financial assets at initial recognition is driven by the Group’s business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

Financial assets at amortised cost

The Group measures financial assets at amortised cost if the financial asset is held in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at FVTPL

Financial assets measured at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

These financial assets include derivatives, security investments held for trading, equity investments which the Group has not irrevocably elected to classify at FVOCI and financial assets with cash flows that are not solely payments of principal and interest.

Dividends on listed equity investments are recognised as other income in profit or loss.

Classification and measurement of financial liabilities

Except for derivative liabilities, at initial recognition the Group's financial liabilities are recognised at fair value net of transaction costs and classified as liabilities to be subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. In determining amortised cost, the Group takes into account any discounts or premiums on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in profit or loss.

Derecognition of financial instruments

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired or have been transferred and either the Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure (a lifetime ECL).

The Group considers a significant increase in credit risk to have occurred when contractual payments are more than 30 days past due and considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to have a significant increase in credit risk and to be in default using other internal or external information, such as credit rating of issuers.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. It is based on its historical credit loss experience and adjusted for forward-looking factors specific to the debtors and the economic environment.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Accounting policies adopted before 1 January 2020

Trade accounts receivable

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debt aging.

Investments

Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in other comprehensive income and will be recorded in profit or loss when the securities are sold.

The fair value of marketable securities is based on the latest bid price of the last working day of the year.

The weighted average method is used for computation of the cost of investments.

In the event the Group reclassifies investments from one type to another, such investments will be readjusted to their fair value as at the reclassification date. The difference between the carrying amount of the investments and the fair value on the date of reclassification are recorded in profit or loss or recorded as other components of shareholders' equity, depending on the type of investment that is reclassified.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

6.19 Derivatives

The Group uses derivatives, such as forward currency contracts to hedge its foreign currency risks.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The subsequent changes are recognised in profit or loss. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Derivatives are presented as non-current assets or non-current liabilities if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

6.20 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Group applies a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Group measures fair value using valuation technique that are appropriate in the circumstances and maximise the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categories of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Group determines whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

7. Significant accounting judgements and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follows:

Leases

Determining the lease term with extension and termination options - The Group as a lessee

In determining the lease term, the management is required to exercise judgement in assessing whether the Group is reasonably certain to exercise the option to extend or terminate the lease considering all relevant facts and circumstances that create an economic incentive for the Group to exercise either the extension or termination option.

Estimating the incremental borrowing rate - The Group as a lessee

The Group cannot readily determine the interest rate implicit in the lease, therefore, the management is required to exercise judgement in estimating its incremental borrowing rate to discount lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Allowance for expected credit losses of trade receivables

In determining an allowance for expected credit losses of trade, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the forecast economic condition for groupings of various customer segments with similar credit risks. The Group's historical credit loss experience and forecast economic conditions may also not be representative of whether a customer will actually default in the future.

Allowance for diminution in inventory value

In determining allowance for diminution in inventory value, the management needs to exercise judgement and make estimates based upon, among other things, market conditions and the condition of the inventory.

Property, plant and equipment/Depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the plant and equipment and to review estimate useful lives and residual values when there are any changes.

The Group measures land and buildings at revalued amounts. Such amounts are determined by the independent valuer using the market approach for land and the depreciated replacement cost approach for buildings. The valuation involves certain assumptions and estimates.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

Warranty reserve

In determining warranty reserve, the management needs to exercise judgement to make estimate, based upon historical warranty expense data and the quantities of products under warranty.

Allowance for impairment of non-financial assets

In determining allowance for impairment of a non-financial asset, the management is required to exercise judgements regarding determination of the recoverable amount of the asset, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next 5 years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the cash-generating unit being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to investment in subsidiaries and property, plant and equipment recognised by the Group.

Post-employment benefits under defined benefit plans and other long-term employee benefits

The obligation under the defined benefit plan and other long-term employee benefit plans is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

8. Related party transactions

During the years, the Group had significant business transactions with related parties mainly in respect of purchases and sales of goods. Such transactions, which have been concluded on commercial terms and bases agreed upon in the ordinary course of business between the Group and those related parties, are summarised below.

(Unit: Million Baht)

	For the years ended 31 December				
	Consolidated financial statements		Separate financial statements		Pricing policy
	2020	2019	2020	2019	
Transactions with subsidiary companies (eliminated from the consolidated financial statements)					
Purchases of goods	-	-	787	630	Market price
Sales and service income and scraps sales	-	-	120	95	Approximate market price
Interest expenses	-	-	24	26	Interest rate at 4.60 - 7.25 percent per annum
Interest income	-	-	2	3	Interest rate at 4.25 percent per annum
Other income	-	-	7	14	Mutually agreed price as stipulated in the contract
Rental income	-	-	13	13	Mutually agreed price as stipulated in the contract
Other expenses	-	-	6	4	Mutually agreed price as stipulated in the contract
Transactions with related companies					
Sales and service income and scraps sales	513	567	234	282	Approximate market price
Purchases of goods	43	32	42	31	Market price
Rental expenses	3	14	-	-	Mutually agreed price as stipulated in the contract
Other expenses	10	10	4	4	Mutually agreed price as stipulated in the contract
Other income	1	1	-	-	Mutually agreed price as stipulated in the contract

The balances of the accounts as at 31 December 2020 and 2019 between the Group and those related parties are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
Trade and other receivables - related parties (Note 10)				
Subsidiary companies	-	-	219,533	238,617
Related companies (related by common director/shareholder)	134,340	125,959	46,158	40,364
Total trade and other receivables - related parties	134,340	125,959	265,691	278,981
Trade and other payables - related parties (Note 18)				
Subsidiary companies	-	-	719,335	472,299
Related companies (related by common director/ shareholder)	13,340	25,072	11,325	8,906
Total trade and other payables - related parties	13,340	25,072	730,660	481,205

Short-term loans to and short-term loans from related parties

As at 31 December 2020 and 2019, the balance of short-term loans between the Company and its subsidiaries, and the movement are as follows:

(Unit: Thousand Baht)

	Separate financial statements			
	Balance as at 31 December 2019	Increase during the year	Decrease during the year	Balance as at 31 December 2020
Short-term loans to subsidiary				
Kulthorn Materials and Controls Co., Ltd.	50,000	-	(20,000)	30,000
Total	50,000	-	(20,000)	30,000

(Unit: Thousand Baht)

	Separate financial statements			
	Balance as at 31 December 2019	Increase during the year	Decrease during the year	Balance as at 31 December 2020
Short-term loans from subsidiaries				
Kulthorn Premier Co., Ltd.	492,000	8,000	(39,000)	461,000
Kulthorn Kirby Foundry Co., Ltd.	20,000	-	-	20,000
Total	512,000	8,000	(39,000)	481,000

Directors and management's remuneration

During the years ended 31 December 2020 and 2019, the Group had employee benefit expenses payable to their directors and management as below:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
Short-term employee benefits	29	42	9	21
Post-employment benefits	5	3	4	1
Total	34	45	13	22

Guarantee obligations with related parties

The Group has outstanding guarantee obligations with its related parties, as described in Note 34.3 to the financial statements.

9. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
Cash	3,707	800	2,334	411
Bank deposits	25,157	137,116	10,892	51,015
Total	28,864	137,916	13,226	51,426

As at 31 December 2020, bank deposits in savings accounts carried interests at the rate between 0.05 and 0.37 percent per annum (2019: between 0.10 and 0.63 percent per annum).

10. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
Trade receivables - related parties				
Not yet due	99,889	92,416	68,599	41,477
Overdue				
Less than 3 months	28,198	13,481	17,040	18,203
3 - 6 months	223	-	-	4
6 - 12 months	1,037	-	-	-
Over 12 months	-	4,449	-	-
Total	129,347	110,346	85,639	59,684
Less: Allowance for expected credit losses (2019: Allowance for doubtful accounts)	-	-	(1,464)	-
Total trade receivables - related parties	129,347	110,346	84,175	59,684
Trade receivables - unrelated parties				
Not yet due	837,808	652,602	432,986	266,323
Overdue				
Less than 3 months	128,124	152,699	27,856	43,474
3 - 6 months	750	890	-	1,204
6 - 12 months	3,898	431	-	-
Over 12 months	7,957	10,612	2,184	1,147
Total	978,537	817,234	463,026	312,148
Less: Allowance for expected credit losses (2019: Allowance for doubtful accounts)	(18,435)	(6,205)	(2,409)	(2,416)
Total trade receivables - unrelated parties	960,102	811,029	460,617	309,732
Total trade receivables - net	1,089,449	921,375	544,792	369,416
Other receivables				
Other receivables - related parties	4,993	15,613	181,516	219,297
Other receivables - unrelated parties	1,394	1,958	133	444
Total other receivables	6,387	17,571	181,649	219,741
Total trade and other receivables - net	1,095,836	938,946	726,441	589,157

Set out below is the movement in the allowance for expected credit losses of trade and other receivables.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
As at 1 January 2020	15,816	4,297
Provision for expected credit losses (reversal)	2,619	(424)
As at 31 December 2020	18,435	3,873

11. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2020	2019	2020	2019	2020	2019
Finished goods	360,926	470,195	(85,380)	(114,767)	275,546	355,428
Work in process	283,498	343,439	(35,502)	(34,409)	247,996	309,030
Raw materials	672,785	923,364	(48,014)	(69,967)	624,771	853,397
Goods in transit	91,022	55,734	-	-	91,022	55,734
Total	1,408,231	1,792,732	(168,896)	(219,143)	1,239,335	1,573,589

(Unit: Thousand Baht)

	Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2020	2019	2020	2019	2020	2019
Finished goods	145,104	198,069	(21,622)	(38,250)	123,482	159,819
Work in process	188,156	220,591	(24,099)	(10,872)	164,057	209,719
Raw materials	460,305	573,823	(31,710)	(53,127)	428,595	520,696
Goods in transit	86,230	49,537	-	-	86,230	49,537
Total	879,795	1,042,020	(77,431)	(102,249)	802,364	939,771

During the current year, the Group reversed the write-down of cost of inventories by Baht 50.2 million (2019: Baht 18.2 million) (The Company only: Baht 24.8 million, 2019: Baht 11.1 million), and reduced the amount of inventories recognised as expenses during the year.

12. Other current assets

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
Advance payment	21,911	7,562	12,167	2,944
Income tax refundable	26,736	37,979	18,000	21,575
Others	42,700	42,776	8,431	11,160
Total	91,347	88,317	38,598	35,679

13. Investments in subsidiaries

Details of investments in subsidiaries as presented in separate financial statements are as follows:

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost	
	2020	2019	2020	2019	2020	2019
			(%)	(%)		
Kulthorn Kirby Foundry Company Limited	575,000	575,000	100	100	739,999	739,999
Kulthorn Premier Company Limited	1,260,000	1,260,000	100	100	1,936,751	1,936,751
Kulthorn Steel Company Limited	400,000	400,000	100	100	399,999	399,999
kulthorn Materials and Controls Company Limited	650,000	650,000	100	100	540,630	540,630
Kulthorn Research and Development Company Limited	12,500	12,500	100	100	12,500	12,500
Total					3,629,879	3,629,879
Less: Allowance for impairment loss on investments in subsidiaries					(1,543,007)	(1,543,007)
Total investments in subsidiaries - net					2,086,872	2,086,872

The company did not received dividend during the year ended 31 December 2020 and 2019.

During the year 2019, the Company recognises an impairment loss for investment in subsidiaries amounting to Baht 500 million (2020: Nil) as expenses in the separate statement of comprehensive income. The Company has determined the recoverable amounts of its investment in subsidiaries based on the higher of fair value less costs of disposal or value in use, using cash flow projections from financial estimation approved by management covering a 5-year period.

Key assumptions used in value in use calculations are as follows:

(Unit: percent per annum)

	2020	2019
Discount rate	8.5	8.3
Terminal growth rate	1.0	1.7

14. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements							
	Land	Land improvement and plant	Machineries	Plant equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress and machine under installation	Total
Cost								
As at 1 January 2019	349,728	2,035,965	7,887,596	1,303,536	203,844	147,954	538,235	12,466,858
Additions	-	301	247	6,483	4,426	281	792,074	803,812
Capitalised interest	-	-	-	-	-	-	11,066	11,066
Transfer in (out)	-	30,830	70,307	4,693	12,126	769	(118,725)	-
Disposals/write-off	-	-	(12,686)	(2,568)	(14,160)	(44)	(41,441)	(70,899)
Translation adjustments	-	(18,097)	(21,933)	-	(723)	(556)	-	(41,309)
As at 31 December 2019	349,728	2,048,999	7,923,531	1,312,144	205,513	148,404	1,181,209	13,169,528
Accumulated depreciation								
As at 1 January 2019	-	1,319,463	6,829,926	1,218,323	177,779	133,505	-	9,678,996
Depreciation for the year	-	84,660	218,728	30,175	10,917	5,937	-	350,417
Disposals/ write-off	-	-	(1,878)	(499)	(14,156)	(44)	-	(16,577)
Translation adjustment	-	(11,488)	(17,177)	-	(659)	(501)	-	(29,825)
As at 31 December 2019	-	1,392,635	7,029,599	1,247,999	173,881	138,897	-	9,983,011
Allowance for impairment loss								
As at 1 January 2019	-	-	(1,974)	-	(707)	(625)	-	(3,306)
Increase during the year	-	-	(6,276)	-	-	-	-	(6,276)
Translation adjustment	-	-	171	-	61	54	-	286
As at 31 December 2019	-	-	(8,079)	-	(646)	(571)	-	(9,296)
Net book value								
As at 31 December 2019	349,728	656,364	885,853	64,145	30,986	8,936	1,181,209	3,177,221
Depreciation for the year								
2019 (Baht 318 million included in manufacturing cost, and the balance in administrative expenses)								350,288

(Unit: Thousand Baht)

	Consolidated financial statements							
	Revaluation basis		Cost basis					
	Land	Land improvement and plant	Machineries	Plant equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress and machine under installation	Total
Cost/ Revalued amount								
As at 31 December 2019	349,728	2,048,999	7,923,531	1,312,144	205,513	148,404	1,181,209	13,169,528
Adjustment due to first time adoption of TFRS 16 (Note 4)	-	(11,504)	(69,610)	(2,248)	-	(6,083)	-	(89,445)
As at 1 January 2020	349,728	2,037,495	7,853,921	1,309,896	205,513	142,321	1,181,209	13,080,083
Additions	-	265	2,420	885	885	439	202,584	207,478
Reclassify	3,185	(3,185)	-	-	-	-	-	-
Revaluations	599,229	530,145	-	-	-	-	-	1,129,374
Capitalised interest	-	-	-	-	-	-	1,501	1,501
Transfer in (out)	-	72,431	497,461	24,950	1,807	-	(603,625)	(6,976)
Transfer from right-of-use assets (Note 20)	-	-	6,631	-	-	-	-	6,631
Disposals/write-off	-	-	(77,239)	(8,383)	(1,722)	(22,283)	(188)	(109,815)
Translation adjustment	-	17,184	16,406	-	539	414	11	34,554
As at 31 December 2020	952,142	2,654,335	8,299,600	1,327,348	207,022	120,891	781,492	14,342,830
Accumulated depreciation								
As at 31 December 2019	-	1,392,635	7,029,599	1,247,999	173,881	138,897	-	9,983,011
Adjustment due to first time adoption of TFRS 16 (Note 4)	-	(2,307)	(7,809)	(293)	-	(4,426)	-	(14,835)
As at 1 January 2020	-	1,390,328	7,021,790	1,247,706	173,881	134,471	-	9,968,176
Depreciation for the year	-	99,227	201,253	24,721	9,779	2,953	-	337,933
Disposals/ write-off	-	-	(76,965)	(8,383)	(1,666)	(22,031)	-	(109,045)
Translation adjustment	-	9,033	13,106	-	484	373	-	22,996
As at 31 December 2020	-	1,498,588	7,159,184	1,264,044	182,478	115,766	-	10,220,060
Allowance for impairment loss								
As at 1 January 2020	-	-	(8,079)	-	(646)	(571)	-	(9,296)
(Increase) decrease during the year	-	(62,948)	(3,033)	-	39	-	-	(65,942)
Translation adjustment	-	-	(127)	-	(46)	(40)	-	(213)
As at 31 December 2020	-	(62,948)	(11,239)	-	(653)	(611)	-	(75,451)
Net book value								
As at 31 December 2020	952,142	1,092,799	1,129,177	63,304	23,891	4,514	781,492	4,047,319
Depreciation for the year								
2020 (Baht 308 million included in manufacturing cost, and the balance in administrative expenses)								337,711

(Unit: Thousand Baht)

	Separate financial statements							
	Land	Land improvement and plant	Machineries	Plant equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress and machine under installation	Total
Cost								
As at 1 January 2019	221,024	793,590	3,516,897	812,516	97,717	66,693	357,922	5,866,359
Additions	-	301	-	1,867	3,307	281	614,211	619,967
Capitalised interest	-	-	-	-	-	-	11,066	11,066
Transfer in (out)	-	24,637	5,514	3,109	11,530	-	(44,790)	-
Disposals/write-off	-	-	-	(7)	(9,348)	(44)	-	(9,399)
As at 31 December 2019	221,024	818,528	3,522,411	817,485	103,206	66,930	938,409	6,487,993
Accumulated depreciation								
As at 1 January 2019	-	442,016	3,190,253	783,364	81,906	61,241	-	4,558,780
Depreciation for the year	-	29,727	97,147	12,994	7,212	2,930	-	150,010
Disposals/write-off	-	-	-	(7)	(9,347)	(44)	-	(9,398)
As at 31 December 2019	-	471,743	3,287,400	796,351	79,771	64,127	-	4,699,392
Net book value								
As at 31 December 2019	221,024	346,785	235,011	21,134	23,435	2,803	938,409	1,788,601
Depreciation for the year								
2019 (Baht 131 million included in manufacturing cost, and the balance in administrative expenses)								150,010

(Unit: Thousand Baht)

	Separate financial statements							
	Revaluation basis		Cost basis					
	Land	Land improvement and plant	Machineries	Plant equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress and machine under installation	Total
Cost/ Revalued amount								
As at 31 December 2019	221,024	818,528	3,522,411	817,485	103,206	66,930	938,409	6,487,993
Adjustment due to first time adoption of TFRS 16 (Note 4)	-	-	-	-	-	(4,645)	-	(4,645)
As at 1 January 2020	221,024	818,528	3,522,411	817,485	103,206	62,285	938,409	6,483,348
Additions	-	-	-	350	771	439	130,503	132,063
Reclassify	2,520	(2,520)	-	-	-	-	-	-
Revaluations	517,202	201,853	-	-	-	-	-	719,055
Capitalised interest	-	-	-	-	-	-	1,501	1,501
Transfer in (out)	-	71,129	463,098	14,836	1,305	-	(557,344)	(6,976)
Disposals/write-off	-	-	-	(4,657)	(188)	(12,831)	-	(17,676)
As at 31 December 2020	740,746	1,088,990	3,985,509	828,014	105,094	49,893	513,069	7,311,315
Accumulated depreciation								
As at 31 December 2019	-	471,743	3,287,400	796,351	79,771	64,127	-	4,699,392
Adjustment due to first time adoption of TFRS 16 (Note 4)	-	-	-	-	-	(3,334)	-	(3,334)
As at 1 January 2020	-	471,743	3,287,400	796,351	79,771	60,793	-	4,696,058
Depreciation for the year	-	41,406	97,130	11,941	7,166	918	-	158,561
Disposals/write-off	-	-	-	(4,658)	(188)	(12,624)	-	(17,470)
As at 31 December 2020	-	513,149	3,384,530	803,634	86,749	49,087	-	4,837,149
Allowance for impairment loss								
As at 1 January 2020	-	-	-	-	-	-	-	-
Increase during the year	-	(55,304)	-	-	-	-	-	(55,304)
As at 31 December 2020	-	(55,304)	-	-	-	-	-	(55,304)
Net book value								
As at 31 December 2020	740,746	520,537	600,979	24,380	18,345	806	513,069	2,418,862
Depreciation for the year								
2020 (Baht 141 million included in manufacturing cost, and the balance in administrative expenses)								158,561

During the current year, the Group arranged for an independent professional valuer to appraise the value of its land and buildings. The basis of the revaluation is as follows:

- Land was revalued using the market approach.
- Land improvement and buildings were revalued using the depreciated replacement cost approach.

The result of the revaluations showed increases of Baht 599.2 million and Baht 530.2 million (the Company only: Baht 517.2 million and Baht 201.9 million) in the net book value of the Group's Land and Land improvement and building, respectively. The Company recorded the revaluation increase in other comprehensive income and the cumulative increase is recognised as the "Revaluation surplus on assets" in the shareholders' equity.

Had the land and land improvement and building been carried in the financial statements on a historical cost basis, their net book value as of 31 December 2020 would have been as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Land	360,213	223,544
Land improvement and building	726,497	367,545

During the year ended 31 December 2020, borrowing cost totaling approximately Baht 1.5 million (2019: Baht 11.1 million) were capitalised as part of machine under construction. The weighted average rate used to determine the amount of borrowing cost eligible for capitalisation was 4.20 - 4.64 percent per annum. (2019: 4.20 - 4.56 percent per annum)

As at 31 December 2020, certain items of plant and equipment of the Group were fully depreciated but are still in use. The gross carrying amount, before deducting accumulated depreciation and allowance for impairment loss of those assets amounted to Baht 6,188 million (The Company only: Baht 3,777 million) (2019: Baht 6,776.3 million in the consolidated financial statements and Baht 3,881.4 million in the separate financial statements).

The Group pledged their land and buildings thereon, of which net book value amounted to approximately Baht 1,188 million (2019: Baht 392 million) (The Company's: Baht 741 million 2019: Baht 221 million), with financial institutions as collateral to secure loans as discussed in Note 19.

In addition, the Group has entered into negative pledge memorandums, which are part of the short-term credit facility agreements with 3 financial institutions. Under these memorandums, the Group is not allowed to dispose, transfer, mortgage or provide any lien on their land and buildings thereon and machinery, except to use as collateral for the syndicated loans to pay off the debts to those financial institutions as discussed in Note 17.

15. Goodwill on business combination

(Unit: Thousand Baht)

	Consolidated financial statements	
	2020	2019
Goodwill on business combination	37,620	37,620
Less: Accumulated impairment loss	(37,620)	(37,620)
Net book value	-	-

16. Intangible assets

The net book value of intangible assets, computer software, as at 31 December 2020 and 2019 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
As at 31 December 2020		
Cost	187,211	106,344
Less: Accumulated amortisation	(107,093)	(58,801)
Net book value	80,118	47,543
As at 31 December 2019		
Cost	180,424	100,079
Less: Accumulated amortisation	(93,716)	(52,494)
Net book value	86,708	47,585

A reconciliation of the net book value of intangible assets for the years 2020 and 2019 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate Financial statements	
	2020	2019	2020	2019
Net book value at beginning of year	86,708	86,988	47,585	45,203
Acquisition during the year	6,265	12,759	6,265	8,386
Amortisation	(13,093)	(12,702)	(6,307)	(6,004)
Translation adjustment	238	(337)	-	-
Net book value at end of year	80,118	86,708	47,543	47,585

17. Bank overdrafts and short-term loans from financial institutions

(Unit: Thousand Baht)

	Interest rate (percent per annum)	Consolidated financial statements		Separate financial statements	
		2020	2019	2020	2019
Bank overdrafts	5.82 - 5.88	124,682	108,582	29,943	24,367
Short-term loans	3.75 - 6.87	1,085,000	1,047,145	810,000	772,145
Trust receipts	2.24 - 4.70	1,257,847	1,408,039	624,500	692,932
Packing credit	3.25 - 6.87	1,083,318	921,813	655,296	596,290
Total		3,550,847	3,485,579	2,119,739	2,085,734

The Group has entered into negative pledge memorandums, which are part of the short-term credit facility agreements with 3 financial institutions. Under the agreements, the Group is required to comply with certain conditions including maintaining interest bearing debt to EBITDA plus extraordinary item and non-cash items ratio not exceeding 5:1 for the consolidated financial statements and debt to equity ratio for the consolidated financial statements not exceeding 2.75:1. The Group is not allowed to dispose, transfer, mortgage or provide any lien on their assets, both existing and to be acquired in the future, except to use as collateral for the syndicated loan to pay off the debt to those financial institutions.

As at 31 December 2019, the Group could not maintain interest bearing debt to EBITDA plus extraordinary item and non-cash items ratio and debt to equity ratio as specified in the Credit Facility Agreement, which resulted in the loan becoming payable on demand, as disclosed in Note 19.

18. Trade and other payables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
Trade payables - related parties	10,936	7,860	722,278	449,250
Trade payables - unrelated parties	478,739	357,868	251,013	198,802
Other payables - related parties	2,404	17,212	6,456	29,707
Other payables - unrelated parties	176,498	166,096	111,843	94,007
Accrued interest expenses to related parties	-	-	1,926	2,248
Accrued interest expenses to unrelated parties	1,894	1,898	995	1,049
Accrued expenses - unrelated parties	81,036	65,846	32,514	24,875
Total trade and other payables	751,507	616,780	1,127,025	799,938

19. Long-term loans

(Unit: Thousand Baht)

	Consolidated and Separate financial statements	
	2020	2019
Long-term loans	1,075,300	1,075,300
Less: current portion	(400,000)	(1,075,300)
Long-term loans, net of current portion	675,300	-

In December 2016, the Group entered into a Credit Facility Agreement with three financial institutions to obtain long-term syndicated loans facility amounting to Baht 2,000 million.

In December 2016, the Company drew down a Baht 1,000 million loans from financial institutions, and the loan shall be repaid within the year 2021. The repayment of the principal is to be made in 20 quarterly installments, of Baht 50 million each, with the first installment to be paid in March 2017.

During the year 2018, the Company drew down additional totaling Baht 925.3 million loans from financial institutions, and the loan shall be repaid within the year 2023. The repayment of the principal is to be made in 19 quarterly installments, of Baht 50 million for the first 18 installments and Baht 25.3 million for the last installment, with the first installment to be paid in December 2018.

During the year 2020, the Group entered into the Amendment Agreement to the Credit Facility Agreement to extend the repayment period of the outstanding principal for one year, starting from 31 March 2020. Therefore, the financial maturity date of the loan which had been drawn down in 2016 and 2018 shall be repaid within the year 2022 and 2024, respectively.

The loan is subject to interest at the rate with reference to THBFIX+3%, and interest is to be paid on a monthly basis.

Under the loan agreement, the Group has to comply with certain conditions including maintaining interest bearing debt to EBITDA plus extraordinary item and non-cash items ratio for the consolidated financial statements not exceeding 5:1 and debt to equity ratio for the consolidated financial statements not exceeding 2.75:1, based on the financial statements as at 30 June and 31 December.

As at 31 December 2019, the Group was unable to maintain interest bearing debt to EBITDA plus extraordinary item and non-cash items ratio and debt to equity ratio as specified in the Credit Facility Agreement, resulting in the long-term loan becoming payable on demand. The Group therefore classified total balance of loan as current portion due within one year. The classification of such liabilities as at 31 December 2019 to current liabilities is in accordance with Thai Financial Reporting Standards.

In December 2020, the Group received a waiver letter from three financial institutions, approving a waiver for certain financial conditions including a waiver maintenance of the interest bearing debt to EBITDA plus extraordinary items and non-cash items ratio and debt to equity ratio for the year ended 31 December 2020.

As at 31 December 2020, the Group was able to comply with all conditions as specified in the waiver letter and the loan agreement.

The above long-term loans from financial institutions are secured by mortgage of the Group's properties and plant thereon.

20. Leases

20.1 The Group as a lessee

The Group has lease contracts for various items of property, plant, and equipment used in its operations. Leases generally have lease terms between 2 - 6 years and 33 years.

a) Right-of-use assets

Movement of right-of-use assets for the year ended 31 December 2020 are summarised below:

(Unit: Thousand Baht)

	Consolidated financial statements				
	Land and land improvement	Machinery and equipment	Office equipment	Motor vehicles	Total
1 January 2020	37,948	72,864	3,445	1,657	115,914
Additions	-	7,890	-	1,000	8,890
Decrease from lease modification during the year	(15,479)	-	-	-	(15,479)
Decrease from termination of lease contract during the year	-	(390)	-	-	(390)
Transfer to fixed assets (Note 14)	-	(6,631)	-	-	(6,631)
Depreciation for the year	(6,812)	(11,705)	(1,205)	(1,923)	(21,645)
Translation adjustment	137	-	-	-	137
31 December 2020	15,794	62,028	2,240	734	80,796

(Unit: Thousand Baht)

	Separate financial statements			
	Machinery and equipment	Office equipment	Motor vehicles	Total
1 January 2020	5,166	3,180	1,311	9,657
Additions	-	-	1,000	1,000
Depreciation for the year	(1,977)	(1,088)	(1,635)	(4,700)
31 December 2020	3,189	2,092	676	5,957

b) Lease liabilities

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
Lease payments	57,572	51,383	7,625	1,623
Less: Deferred interest expenses	(5,154)	(5,408)	(449)	(116)
Total	52,418	45,975	7,176	1,507
Less: Portion due within one year	(21,363)	(15,827)	(3,668)	(568)
Lease liabilities - net of current portion	31,055	30,148	3,508	939

A maturity analysis of lease payments is disclosed in Note 36.2 under the liquidity risk.

c) Expenses relating to leases that are recognised in profit or loss

(Unit: Thousand Baht)

	For the year ended 31 December 2020	
	Consolidated financial statements	Separate financial statements
Depreciation expense of right-of-use assets	21,645	4,700
Interest expense on lease liabilities	3,326	535
Expense relating to short-term leases	10,242	4,156
Expense relating to leases of low-value assets	278	10

d) Others

The Group had total cash outflows for leases for the year ended 31 December 2020 of Baht 41.7 million, including the cash outflow related to short-term lease and leases of low-value assets.

21. Other current liabilities

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
Warranty reserve	7,475	8,178	7,244	8,004
Deferred income	10,230	14,084	10,230	14,084
Others	4,671	9,098	-	-
Total	22,376	31,360	17,474	22,088

22. Provision for long-term employee benefits

Provision for long-term employee benefits, which represents compensations payable to employees' retirement and long service awards, was as follows:

(Unit: Thousand Baht)

	Consolidated financial statements					
	Retirement benefits plan		Long service awards plan		Total	
	2020	2019	2020	2019	2020	2019
Provision for long-term employee benefits						
at beginning of year	263,352	198,055	4,395	1,105	267,747	199,160
Included in profit or loss:						
Current service cost	19,180	19,216	398	419	19,578	19,635
Interest cost	6,761	6,502	103	109	6,864	6,611
Past service costs	-	55,710	-	2,981	-	58,691
Actuarial loss arising from						
Financial assumptions changes	-	-	-	356	-	356
Experience adjustments	-	-	-	135	-	135
Included in other comprehensive income:						
Actuarial loss arising from						
Financial assumptions changes	-	15,192	-	-	-	15,192
Experience adjustments	-	910	-	-	-	910
Benefits paid during the year	(43,268)	(32,233)	-	(117)	(43,268)	(32,350)
Reclassify the portion due to accrued expenses	(6,586)	-	-	(593)	(6,586)	(593)
Provision for long-term employee benefits						
at end of year	239,439	263,352	4,896	4,395	244,335	267,747

(Unit: Thousand Baht)

	Separate financial statements					
	Retirement benefits plan		Long service awards plan		Total	
	2020	2019	2020	2019	2020	2019
Provision for long-term employee benefits at beginning of year	117,305	89,630	3,298	1,105	120,603	90,735
Included in profit or loss:						
Current service cost	7,629	7,630	313	325	7,942	7,955
Interest cost	3,115	2,991	77	80	3,192	3,071
Past service costs	-	26,819	-	1,890	-	28,709
Actuarial loss arising from						
Financial assumptions changes	-	-	-	356	-	356
Experience adjustments	-	-	-	135	-	135
Included in other comprehensive income:						
Actuarial loss arising from						
Financial assumptions changes	-	9,332	-	-	-	9,332
Experience adjustments	-	1,447	-	-	-	1,447
Benefits paid during the year	(24,743)	(20,544)	-	-	(24,743)	(20,544)
Reclassify the portion due to accrued expenses	-	-	-	(593)	-	(593)
Provision for long-term employee benefits at end of year	103,306	117,305	3,688	3,298	106,994	120,603

On 5 April 2019, the Labor Protection Act (No. 7) B.E. 2562 was announced in the Royal Gazette. This stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The law was in effect from 5 May 2019. This change was considered a post-employment benefits plan amendment and the Group had additional long-term employee benefit liabilities of Baht 55.7 million (The Company only: Baht 26.8 million) as a result. The Group reflected the effect of the change by recognising past service costs as expenses in the profit or loss of the year 2019.

The Group expects to pay Baht 20.3 million of long-term employee benefits during the next year (Separate financial statements: Baht 7.3 million) (2019: Baht 16.4 million, separate financial statements: Baht 6.7 million).

As at 31 December 2020, the weighted average duration of the liabilities for long-term employee benefit is 13 years (Separate financial statements: 13 years) (2019: 13 years, separate financial statements: 13 years).

Significant actuarial assumptions used for the valuation are as follows:

(Unit: percent per annum)

	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
Discount rate	1.8	1.8	1.8	1.8
Future salary increase rate (depending on age)	5.0 - 7.0	5.0 - 7.0	5.0 - 7.0	5.0 - 7.0

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2020 and 2019 are summarised below:

(Unit: Million Baht)

	As at 31 December 2020			
	Consolidated financial statements		Separate financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(19.1)	21.8	(8.8)	9.9
Future salary increase rate	20.8	(18.7)	9.4	(8.5)

(Unit: Million Baht)

	As at 31 December 2019			
	Consolidated financial statements		Separate financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(18.3)	20.9	(8.4)	9.6
Future salary increase rate	19.9	(17.9)	9.1	(8.2)

23. Share capital

On 4 September 2019, the Extraordinary Meeting of the Shareholders of the Company passed a resolution to increase the registered share capital of the Company from Baht 1,200 million (1,200 million ordinary shares of Baht 1 each) to Baht 1,500 million (1,500 million ordinary shares of Baht 1 each), though an issuance of 300 million new ordinary shares with a par value of Baht 1 per share, to be used in the business operation and to support the Company's expansion as well as to be used as working capital. The Company registered the increase in its share capital with the Ministry of Commerce on 30 September 2019.

24. Revaluation surplus

This represents surplus arising from revaluation of land and land improvement and building. The surplus is amortised to retained earnings on a straight-line basis over the remaining life of the related assets.

(Unit: Thousand Baht)

	2020	
	Consolidated financial statements	Separate financial statements
Balance - beginning of year	-	-
Add: Revaluation	900,131	575,244
Less: Amortisation	(12,465)	(9,335)
Balance - end of year	887,666	565,909

The revaluation surplus can neither be offset against deficit nor used for dividend payment.

25. Statutory reserve

Pursuant to the section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

26. Revenue from contracts with customers

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
Type of goods or service:				
Sales of goods	5,497,867	5,848,249	3,170,349	2,943,892
Service income	59,481	67,134	4,095	2,143
Income from scrap sales	22,765	24,593	3,199	1,883
Total revenue from contracts with customers - recognised at a point in time	5,580,113	5,939,976	3,177,643	2,947,918

27. Finance cost

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
Interest expenses on borrowings	198,842	204,410	157,064	167,795
Interest expenses on lease liabilities	3,326	2,961	535	75
Total	202,168	207,371	157,599	167,870

28. Expenses by nature

Significant expenses classified by nature are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
Raw materials and consumables used	4,401,222	7,407,209	2,523,756	3,255,894
Decrease in inventories of finished goods and work in progress	169,210	577,895	85,400	409,478
Salaries, wages and other employee benefits	788,115	1,022,837	365,660	437,567
Depreciation and amortisation expenses	372,449	362,990	169,568	156,014
Rental expenses	10,520	38,321	4,166	11,135

29. Income tax

Income tax expenses (revenue) for the years ended 31 December 2020 and 2019 are made up as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
Current income tax:				
Current income tax charge	689	973	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences	6,276	32,324	(937)	3,697
Income tax expenses (revenue) reported in profit or loss	6,965	33,297	(937)	3,697

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2020 and 2019 are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
Deferred tax on revaluation surplus of land and buildings	229,243	-	143,811	-
Deferred tax relating to actuarial loss	-	(2,915)	-	(2,156)
	229,243	(2,915)	143,811	(2,156)

The reconciliation between accounting loss and income tax expenses (revenue) is shown below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
Accounting loss before tax	(631,237)	(1,090,433)	(451,598)	(1,219,886)
Applicable tax rate	20, 25%	20, 25%	20%	20%
Accounting loss before tax multiplied by income tax rate	(128,162)	(218,087)	(90,320)	(243,977)
Effects of:				
Promotional privileges (Note 30)	(2,335)	(264)	-	-
Non-deductible expenses	7,564	5,428	2,588	102,051
Additional expense deductions allowed	(5,289)	(17,465)	(464)	(658)
Others	(938)	1,306	1,433	1,106
Total	(998)	(10,995)	3,557	102,499
Unrecognised tax loss	124,769	231,345	85,826	141,420
Reversal of deferred tax assets	11,356	31,034	-	3,755
Income tax expenses (revenue) reported in profit or loss	6,965	33,297	(937)	3,697

The components of deferred tax assets and liabilities are as follows:

(Unit: Thousand Baht)

	Statements of financial position			
	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
Deferred tax assets				
Allowance for expected credit losses (2019: Allowance for doubtful accounts)	3,834	2,340	775	483
Allowance for diminution in value of inventories	33,311	43,306	15,486	20,450
Warranty reserve	1,103	1,636	1,057	1,601
Provision for long-term employee benefits	39,638	46,715	16,746	22,649
Deferred income	2,046	2,817	2,046	2,817
Unused tax losses	117,650	107,650	102,050	102,050
Allowance for asset impairment	11,621	1,255	10,153	-
Lease	-	-	244	-
Others	12,881	14,542	96	-
Total	222,084	220,261	148,653	150,050
Deferred tax liabilities				
Revaluation surplus of land and building	226,230	-	141,477	-
Lease liabilities	11,112	-	-	-
Total	237,342	-	141,477	-

As at 31 December 2020, the Group has unused tax losses totaling Baht 2,469 million (2019: Baht 2,119.3 million), on which deferred tax assets have not been recognised on these amounts as the Group believes future taxable profits may not be sufficient to allow utilisation of the unused tax losses.

The unused tax losses amounting to Baht 3,057 million will expire by the year 2025.

30. Promotional privileges

30.1 The Company has been granted certain promotional privileges according to the Investment Promotion Act B.E. 2520 as approved by the Board of Investment with significant privileges as follows:

	Certificate No. 58-2173-0-00-1-0	Certificate No. 60-1261-1-05-1-0
1. Promotional privileges for	Manufacturing of compressors for electrical appliances	Manufacturing of compressors and/or motors for electrical appliances
2. The significant privileges are		
2.1 Exemption of corporate income tax on net profit from promotional operation which does not exceed 100 percent of investment, excluding land and working capital for a period of 5 years, commencing as from the date of earning operating income. In case that the Company has loss during the exemption of corporate income tax on net income, it can carry forward loss from operations to offset against income after exemption period, for a period of 5 years commencing as from the expiration of exemption period.	From 31 January 2020 until 30 January 2025	-
2.2 Exemption of corporate income tax on net profit from promotional operation which does not exceed 50 percent of investment for productivity improvement, excluding land and working capital for a period of 3 years, commencing as from the date of earning operating income. In case that the Company has loss during the exemption of corporate income tax on net income, it can carry forward loss from operations to offset against income after exemption period, for a period of 5 years commencing as from the expiration of exemption period.	-	Not yet commenced
2.3 Exemption from import duty on raw materials and essential materials imported for use specifically in producing for export for a period of 1 year as from the date of first import.	Granted	Granted
2.4 Exemption from import duty on imported machinery as approved by the Board.	Granted	Granted
2.5 Dividend paid from those investment promoted operations which are exempted from corporate income tax are in turn exempted from inclusion in the determination of income tax.	Granted	Granted
3. Date of first earning operating income.	31 January 2020	Not yet commenced

The Company has to comply with certain conditions and restrictions specified under the promotion certificates.

Sales of the Company amounting to approximately Baht 3,177.6 million for the year ended 31 December 2020 included revenue from manufacturing and sales derived from promoted operations of approximately Baht 858.5 million (2019: Nil).

30.2 Kulthorn Kirby Foundry Co., Ltd., a subsidiary company, has been granted the privileges for certain specified category of products under the Investments Promotion Act B.E. 2520 as approved by the Board of Investment with significant privileges as follows:

	Certificate No. 2127(2)/2548	Certificate No. 60-0092-1-00-1-0
1. Promotional privileges for	Manufacturing of casting iron parts	Manufacturing of casting iron parts
2. The significant privileges are		
2.1 Exemption of corporate income tax on net earnings for the period of 8 years commending as from the date of earning operating income. In case that the Company has loss during the exemption of corporate income tax on net income, it can carry forward loss from operations to offset against income after exemption period, for a period of 5 years commencing as from the expiration of exemption period.	From 8 July 2012 until 7 July 2020	-
2.2 Exemption of corporate income tax on net profit from promotional operation which does not exceed 100 percent of investment, excluding land and working capital for a period of 5 years. In case that the Company has loss during the exemption of corporate income tax on net income, it can carry forward loss from operations to offset against income after exemption period, for a period of 5 years commencing as from the expiration of exemption period.	-	Not yet commenced
2.3 Dividend paid from those investment promoted operations which are exempted from corporate income tax are in turn exempted from inclusion in the determination of income tax.	Granted	Granted
2.4 Exemption from import duty on imported machinery as approved by the Board.	Granted	Granted
3. Date of first earning operating income	8 July 2012	Not yet commenced

The subsidiary company has to comply with certain conditions and restrictions specified under the promotion certificates.

30.3 Kulthorn Premier Co., Ltd., a subsidiary company, has been granted promotional privileges under the Investment Promotion Act B.E. 2520, as approved by the Board of Investment for certificate with outstanding significant privileges as follow:

	Certificate No. 2167(2)/2550
1. Promotional privileges for	Manufacturing of compressors for refrigerator
2. The significant privileges are	
2.1 Exemption of corporate income tax on net income from the promoted operation which does not exceed 100 percent of investment, excluding land and working capital for a period of 8 years commencing as from the date of earning first operating income. In case that the Company has loss during the exemption of corporate income tax on net income, it can carry forward loss from operations to offset against income after exemption period, for a period of 5 years commencing as from the expiration of exemption period.	From 14 January 2008 until 13 January 2016
2.2 Dividend paid from those investment promoted operations which are exempted from corporate income tax are in turn exempted from inclusion in the determination of income tax.	Granted
2.3 A fifty percent reduction of corporate income tax on its net income.	From 14 January 2016 until 13 January 2023
2.4 Permission to double deduct the costs of transportation, electricity and water supply for corporate income tax purpose commencing as from the date of first earning operating income.	For a period of 10 years commencing as from the date of first earning operating income.
2.5 Permission to deduct 25 percent of the cost of installation and construction of facilities, in addition to normal depreciation charges.	Granted
2.6 Exemption from import duty on raw materials and essential materials imported for use specifically in producing for export.	For a period of 5 years commencing as from the date of first import.
2.7 Seventy-five percent reduction of import duty on raw materials and essential materials imported for use specifically in production for domestic sales, for a period of 1 year commencing from the date of first importation.	Granted
2.8 Exemption from import duty on items imported for re-export, for a period of 5 years commencing from the date of first importation.	Granted
3. Date of first earning operating income	14 January 2008

The subsidiary company has to comply with certain conditions and restrictions specified under the promotion certificates.

30.4 Kulthorn Steel Company Limited, a subsidiary company, has been granted certain promotional privileges according to the Investment Promotion Act B.E. 2520 as approved by the Board of Investment with significant privileges as follow:

	Certificate No. 60-0708-1-00-1-0
1. Promotional privileges for	Generate electricity from solar rooftop
2. The significant privileges are	
2.1 Exemption of corporate income tax on net profit from promotional operation which does not exceed 100 percent of investment, excluding land and working capital for a period of 8 years from the date the promoted operations commenced generating revenues.	From 24 December 2019 until 23 December 2027
In case that the Company has loss during the exemption of corporate income tax on net income, it can carry forward loss from operations to offset against income after exemption period, for a period of 5 years commencing as from the expiration of exemption period.	
2.2 Dividend paid from those investment promoted operations which are exempted from corporate income tax are in turn exempted from inclusion in the determination of income tax.	Granted
2.3 Exemption from import duty on imported machinery as approved by the Board, which must be imported within 27 December 2019.	Granted
3. Date of first earning operating income	24 December 2019

The subsidiary company has to comply with certain conditions and restrictions specified under the promotion certificates.

31. Loss per share

Basic loss per share is calculated by dividing loss for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.

The following table sets forth the computation of basic loss per share:

	Loss for the year		Weighted average number of ordinary shares		Loss per share	
	2020 (Thousand Baht)	2019 (Thousand Baht)	2020 (Thousand shares)	2019 (Thousand shares)	2020 (Baht)	2019 (Baht)
Consolidated financial statements						
Basic loss per share						
Loss attributable to equity holders of the Company	(638,202)	(1,123,729)	1,500,000	1,284,497	(0.425)	(0.875)
Separate financial statements						
Basic loss per share						
Loss attributable to equity holders of the Company	(450,660)	(1,223,583)	1,500,000	1,284,497	(0.300)	(0.953)

32. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

For management purposes, the Group is organised into business units based on their products and services and have four reportable segments as follows:

1. Compressors and parts
2. Enameled wire
3. Steel sheet
4. Steel coil center

No operating segments have been aggregated to form the above reportable operating segments.

The chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss and total assets on a basis consistent with that used to measure operating profit or loss and total assets in the financial statements.

The basis of accounting for any transactions between reportable segments is consistent with that for third party transactions.

The following tables present revenue, profit (loss) and total assets information regarding the Group's operating segments for the years ended 31 December 2020 and 2019:

(Unit: Thousand Baht)

For the year ended 31 December 2020	Compressors and parts	Enameled wire	Steel sheet	Steel coil center	Others	Total reportable segments	Adjustments and eliminations	Consolidated
Revenue from external customers	3,277,244	1,017,561	765,945	519,363	-	5,580,113	-	5,580,113
Inter-segment revenue	172,617	192,823	389,470	227,474	62	982,446	(982,446)	-
Interest income	24,597	60	2	1,461	-	26,120	(26,043)	77
Interest expense	(162,850)	(39,768)	(23,955)	(3,199)	-	(229,772)	27,604	(202,168)
Depreciation and amortisation	(216,183)	(61,750)	(51,967)	(56,455)	(34)	(386,389)	13,940	(372,449)
Income tax revenue (expenses)	(5,458)	8,454	(10,405)	2,222	-	(5,187)	(1,778)	(6,965)
Unrealised gain (loss) on exchange	(2,523)	(21)	27	250	-	(2,267)	-	(2,267)
Impairment loss	(55,486)	-	-	(10,456)	-	(65,942)	-	(65,942)
Segment loss	**(554,237)**	**(67,613)**	**(4,571)**	**(30,725)**	**(6,079)**	**(663,225)**	**25,023**	**(638,202)**
Segment total assets								
Additions (decrease) to non-current assets other than financial instruments and deferred tax assets	853,949	54,315	(8,300)	32,990	1,973	934,927	3,753	938,680
Segment total liabilities	**5,167,788**	**1,043,791**	**750,910**	**251,279**	**6,635**	**7,220,403**	**(1,495,261)**	**5,725,142**

(Unit: Thousand Baht)

For the year ended 31 December 2019	Compressors and parts	Enameled wire	Steel sheet	Steel coil center	Others	Total reportable segments	Adjustments and eliminations	Consolidated
Revenue from external customers	3,140,799	1,153,683	888,684	756,810	-	5,939,976	-	5,939,976
Inter-segment revenue	155,251	182,203	302,727	159,837	-	800,018	(800,018)	-
Interest income	28,471	73	11	1,081	1	29,637	(29,379)	258
Interest expense	(172,115)	(44,091)	(19,876)	(667)	(1)	(236,750)	29,379	(207,371)
Depreciation and amortisation	(206,927)	(59,748)	(52,415)	(58,132)	-	(377,222)	14,232	(362,990)
Income tax revenue (expenses)	(26,829)	(2,964)	1,155	559	111	(27,968)	(5,329)	(33,297)
Unrealised gain (loss) on exchange	409	1,075	(18)	739	-	2,205	-	2,205
Impairment loss	-	-	-	(6,276)	-	(6,276)	-	(6,276)
Segment loss	**(1,420,610)**	**(466,155)**	**(101,376)**	**(31,475)**	**(396)**	**(2,020,012)**	**896,283**	**(1,123,729)**
Segment total assets	**6,855,624**	**927,583**	**1,046,624**	**966,460**	**79,998**	**9,876,289**	**(3,613,548)**	**6,262,741**
Additions (decrease) to non-current assets other than financial instruments and deferred tax assets	(160,918)	(434,575)	(12,660)	(53,841)	-	(661,994)	827,583	165,589
Segment total liabilities	**4,815,349**	**991,998**	**734,068**	**244,396**	**6,610**	**6,792,421**	**(1,268,728)**	**5,523,693**

Geographic information

Revenue from external customers is based on locations of the customers.

(Unit: Thousand Baht)

	2020	2019
Revenue from external customers		
Thailand	3,233,025	4,082,633
Hong Kong	1,448,091	895,443
China	211,406	232,377
Australia	59,984	60,491
Indonesia	33,134	54,180
Saudi Arabia	114,740	75,383
Others	479,733	539,469
Total	5,580,113	5,939,976
Non-current assets (other than financial instruments and deferred tax assets)		
Thailand	4,030,459	3,155,457
China	178,836	115,158
Total	4,209,295	3,270,615

Major customers

For the year 2020, the Group has revenue from two major customers in amount of Baht 1,431 million and Baht 815 million, arising from sales by the compressors and parts segment, enameled wire segment and steel coil center segment (2019: Baht 1,103.3 million and Baht 886.6 million derived from two major customers, arising from sales by the compressors and parts segment, enameled wire segment and steel coil center segment).

33. Provident fund

The Group and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Group contribute to the fund monthly at the rate of 3 - 7 percent of basic salary. The fund, which is managed by Local Asset Management Company, will be paid to employees upon termination in accordance with the fund rules. The contributions for the year 2020 of the Group amounting to approximately Baht 16.6 million (2019: Baht 19.1 million) the Company only: Baht 5.9 million (2019: Baht 7.5 million) were recognised as expenses.

34. Commitment and contingent liabilities

34.1 Capital commitments

As at 31 December 2020, the Group has capital commitments of approximately Baht 17.8 million (2019: Baht 147.1 million) (the Company only: Baht 11.0 million, 2019: Baht 133.4 million), relating to the construction of factory building and installation of machinery.

34.2 Long-term service commitments

a) As at 31 December 2020 and 2019, the Group has commitments relating to service agreements payable in the future as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
Payable:				
In up to 1 year	9.7	13.8	3.0	5.1
In over 1 year	-	7.2	-	3.0

b) The Group has commitments related to sales commissions payable to sale agents at the rate stipulated in the agreements or rate agreed between parties.

34.3 Guarantees

a) As at 31 December 2020, the Company and Kulthorn Materials and Controls Company Limited have contingent liability relating to the guarantee of credit facility of Suzhou Kulthorn Megnet Wire Co., Ltd. to an oversea branch of a commercial bank amounting to RMB 60 million or equivalent to Baht 282 million (2019: RMB 60 million or equivalent to Baht 262 million).

b) As at 31 December 2020, there were outstanding bank guarantees of approximately Baht 49.3 million (2019: Baht 48.2 million) (the Company only: Baht 20.0 million (2019: Baht 17.0 million)) issued by the banks on behalf of the Group in respect of certain performance bonds as required in the normal course of business of the Group. These included letter of guarantee to guarantee electricity usage amounting to Baht 36.3 million (2019: Baht 38.2 million) (the Company only: Baht 7.2 million (2019: Baht 7.2 million)), and to guarantee import duty, natural gas agreements and others amounting to Baht 13.0 million (2019: Baht 10.0 million) (the Company only: Baht 12.8 million (2019: Baht 9.8 million)).

35. Fair values hierarchy

As at 31 December 2020 and 2019, the Group had the assets and liabilities that were measured at fair value or for which fair value was disclosed using different levels of inputs as follows:

(Unit: Million Baht)

	As at 31 December 2020	
	Consolidated financial statements	Separated financial statements
	Level 2	Level 2
Assets measured at fair value		
Land	952.1	740.7
Land improvement and buildings	1,092.8	520.5
Liabilities measured at fair value		
Derivatives		
Foreign currency forward contracts	(0.5)	(0.5)

(Unit: Million Baht)

	As at 31 December 2019	
	Consolidated financial statements	Separated financial statements
	Level 2	Level 2
Assets measured at fair value		
Derivatives		
Foreign currency forward contracts	0.3	0.3
Liabilities for which fair value are disclosed		
Derivatives		
Interest rate swap contract	(2.2)	(2.2)

36. Financial instruments

36.1 Derivatives

	(Unit: Thousand Baht)	
	Consolidated and Separate financial statements	
	2020	2019
Derivative assets		
Derivative assets not designated as hedging instruments		
Foreign exchange forward contracts	-	321
Total derivative assets	-	321
Derivative liabilities		
Derivatives liabilities not designated as hedging instruments		
Foreign exchange forward contracts	489	-
Total derivative liabilities	489	-

Derivatives not designated as hedging instruments

The Group uses foreign exchange forward contracts to manage some of its transaction exposures. The contracts are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from 6 months.

36.2 Financial risk management objectives and policies

The Group's financial instruments principally comprise cash and cash equivalents, trade and other receivables, loans to related party, trade and other payables, short-term loans and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Group is exposed to credit risk primarily with respect to trade and other receivables, loans to related party and deposits with banks. Except for derivatives, the maximum exposure to credit risk is limited to the carrying amounts as stated in the statement of financial position. The Group's maximum exposure relating to derivatives is noted in the liquidity risk topic.

Trade receivables

The Group manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. Outstanding trade receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance obtained from reputable banks and other financial institutions. In addition, the Group does not have high concentrations of credit risk since it has a large customer base.

An impairment analysis is performed at each reporting date to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar credit risks. The Group classifies customer segments by customer type and rating, and coverage by letters of credit and other forms of credit insurance. Letters of credit and other forms of credit insurance are considered an integral part of trade receivables and taken into account in the calculation of impairment. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than 210 days and not subject to enforcement activity.

Financial instruments and cash deposits

The Group manages the credit risk from balances with banks and financial institutions by making investments only with approved counterparties and within credit limits assigned to each counterparty. The credit risk on debt instruments and derivatives is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Market risk

There are 3 types of market risk comprising interest rate risk, currency risk and commodity price risk. The Group enters into a foreign exchange forward contracts to hedge the foreign currency risk arising on the export or import of goods.

Foreign currency risk

The Group's exposure to the foreign currency risk relates primarily to its trading transactions that are denominated in foreign currencies. The Group seeks to reduce this risk by entering into foreign exchange forward contracts when it considers appropriate. Generally, the forward contracts mature within one year.

As at 31 December 2020 and 2019, the balances of financial assets and liabilities denominated in foreign currencies are summarised below.

	As at 31 December 2020					
	Consolidated financial statements		Separate financial statements		Exchange rate	
Foreign currency	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Buying	Selling
	(Million)	(Million)	(Million)	(Million)	(Baht per one foreign currency unit)	
US dollar	11	9	10	6	29.8674	30.2068
Japanese yen	-	18	-	12	0.2869	0.2945
Euro	-	0.2	-	0.1	36.4949	37.2578
RMB	-	0.3	-	0.3	4.5447	4.6927

	As at 31 December 2019					
	Consolidated financial statements		Separate financial statements		Exchange rate	
Foreign currency	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Buying	Selling
	(Million)	(Million)	(Million)	(Million)	(Baht per one foreign currency unit)	
US dollar	4	9	4	2	29.9767	30.3313
Japanese yen	-	4	-	-	0.2723	0.2796
Euro	-	0.2	-	-	33.3775	34.0846

Forward exchange contracts

The Company had outstanding forward exchange contracts with maturities less than one year as follows:

As at 31 December 2020					
Consolidated and separate financial statements					
				Contractual exchange rate	
Foreign currency	Bought amount	Sold amount	Contractual maturity date	Bought amount	Sold amount
	(Million)	(Million)		(Baht per one foreign currency unit)	
US Dollar	0.6	0.5	19 January - 29 June 2021	30.03 - 31.69	29.98 - 30.13

As at 31 December 2019					
Consolidated and separate financial statements					
	Bought	Sold		Contractual exchange rate	
Foreign currency	amount	amount	Contractual maturity date	Bought amount	Sold amount
	(Million)	(Million)		(Baht per one foreign currency unit)	
US Dollar	0.1	3.7	6 February - 19 June 2020	30.79	30.02 - 30.08

Foreign currency sensitivity

The following tables demonstrate the sensitivity of the Group's loss before tax to a reasonably possible change in US dollar exchange rates, with all other variables held constant. The impact on the Group's loss before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives as at 31 December 2020. The Group's exposure to foreign currency changes for all other currencies is not material.

Currency	Change in FX rate	Effect on loss before tax
	(%)	(Thousand Baht)
US dollar	+5	3,769
	- 5	(3,769)

Interest rate risk

The Group's exposure to interest rate risk relates primarily to its long-term borrowings. Most of the Group's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings and enters into interest rate swaps agreement to hedge interest rate risk.

As at 31 December 2020 and 2019, significant financial assets and liabilities classified by type of interest rate are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

	Consolidated financial statements as at 31 December 2020					
	Fixed interest rates		Floating	Non-		Effective
	Within		Interest	interest		interest
	1 year	1 - 5 years	rate	bearing	Total	rate
						(% per annum)
Financial assets						
Cash and cash equivalents	-	-	5	24	29	0.05 - 0.37
Trade and other receivables	-	-	-	1,096	1,096	-
	-	-	5	1,120	1,125	
Financial liabilities						
Bank overdrafts and short-term loans from financial institutions	3,426	-	125	-	3,551	2.24 - 6.87
Trade and other payables	-	-	-	752	752	-
Lease liabilities	21	31	-	-	52	2.65 - 6.85
Long-term loans	-	-	1,075	-	1,075	THBFTX+3%
	3,447	31	1,200	752	5,430	

(Unit: Million Baht)

	Consolidated financial statements as at 31 December 2019					
	Fixed interest rates		Floating			Effective
	Within		Interest	Non-interest		interest
	1 year	1 - 5 years	rate	bearing	Total	rate
Financial assets						(% per annum)
Cash and cash equivalents	-	-	38	100	138	0.10 - 0.63
Trade and other receivables	-	-	-	939	939	-
	-	-	38	1,039	1,077	
Financial liabilities						
Bank overdrafts and short-term loans from financial institutions	3,377	-	109	-	3,486	3.90 - 11.62
Trade and other payables	-	-	-	617	617	-
Liabilities under financial lease agreements	16	30	-	-	46	2.65 - 6.38
Long-term loans	-	-	1,075	-	1,075	THBFIX+3%
	3,393	30	1,184	617	5,224	

(Unit: Million Baht)

	Separate financial statements as at 31 December 2020					
	Fixed interest rates		Floating			Effective
	Within		Interest	Non-interest		interest
	1 year	1 - 5 years	rate	bearing	Total	rate
						(% per annum)
Financial assets						
Cash and cash equivalents	-	-	-	13	13	-
Trade and other receivables	-	-	-	726	726	-
Short-term loans to related parties	30	-	-	-	30	4.25
	30	-	-	739	769	
Financial liabilities						
Bank overdrafts and short-term loans from financial institutions	2,090	-	30	-	2,120	2.24 - 6.87
Trade and other payables	-	-	-	1,127	1,127	-
Short-term loans from related parties	481	-	-	-	481	4.60 - 7.25
Lease liabilities	4	3	-	-	7	2.65 - 6.85
Long-term loans	-	-	1,075	-	1,075	THBFIX+3%
	2,575	3	1,105	1,127	4,810	

(Unit: Million Baht)

	Separate financial statements as at 31 December 2019					
	Fixed interest rates		Floating			Effective
	Within		Interest	Non-interest		interest
	1 year	1 - 5 years	rate	bearing	Total	rate
						(% per annum)
Financial assets						
Cash and cash equivalents	-	-	5	46	51	0.22 - 0.63
Trade and other receivables	-	-	-	589	589	-
Short-term loans to related parties	50	-	-	-	50	4.25 - 4.75
	50	-	5	635	690	
Financial liabilities						
Bank overdrafts and short-term loans from financial institutions	2,062	-	24	-	2,086	4.00 - 11.62
Trade and other payables	-	-	-	800	800	-
Short-term loans from related parties	512	-	-	-	512	4.60 - 7.25
Liabilities under financial lease agreements	1	1	-	-	2	2.65
Long-term loans	-	-	1,075	-	1,075	THBFIX+3%
	2,575	1	1,099	800	4,475	

Interest rate swap contracts

In November 2017, the Company entered into an interest rate swap contract with a commercial bank for a long-term loan of Baht 850 million in order to change interest calculation from using floating interest rate of THB-THBFIX-Reuters plus 3 percent per annum to fixed interest rate at 4.65 percent per annum, calculated based on the loan principal balance as the agreed schedule.

However, the Company had already terminated the interest rate swap contract with a commercial bank on 29 April 2020, with an early termination fee of Baht 3.3 million.

Interest rate sensitivity

The following table demonstrates the sensitivity of the Group's loss before tax to a reasonably possible change in interest rates on that portion of floating rate loans affected as at 31 December 2020.

Currency	Increase/decrease	Effect on loss before tax
	(%)	(Thousand Baht)
Baht	+1	(10,753)
	-1	10,753

The above analysis has been prepared assuming that the amounts of the floating rate loans from and all other variables remain constant over one year. Moreover, the floating legs of these loans from are assumed to not yet have set interest rates. As a result, a change in interest rates affects interest payable for the full 12-month period of the sensitivity calculation.

Commodity price risk

The Group is affected by the price volatility of certain commodities. Its operating activities require the ongoing purchase and manufacture of electronic parts and therefore require a continuous supply of copper. The Group is exposed to changes in the price of copper on its forecast copper purchases.

Liquidity risk

The Group monitors the risk of a shortage of liquidity through the use of bank overdrafts, bank loans and lease contracts. Approximately 87% of the Group's debt will mature in less than one year at 31 December 2020 (2019: 99%) (the Company only: 86% 2019: 100%) based on the carrying value of borrowings reflected in the financial statements.

The table below summarises the maturity profile of the Group's non-derivative financial liabilities and derivative financial instruments as at 31 December 2020 based on contractual undiscounted cash flows:

(Unit: Thousand Baht)

	Consolidated financial statements		
	Less than 1 year	1 to 5 years	Total
Non-derivatives			
Bank overdraft and short-term loans from financial institutions	3,552,550	-	3,552,550
Trade and other payables	751,507	-	751,507
Lease liabilities	24,014	33,558	57,572
Long-term loans	413,347	697,512	1,110,859
Total non-derivatives	4,741,418	731,070	5,472,488
Derivatives			
Derivative liabilities: gross settled			
Cash inflows	2,303	-	2,303
Cash outflows	(2,792)	-	(2,792)
Total derivatives	(489)	-	(489)

(Unit: Thousand Baht)

	Separate financial statements		
	Less than 1 year	1 to 5 years	Total
Non-derivatives			
Bank overdraft and short-term loans from financial institutions	2,120,544	-	2,120,544
Trade and other payables	1,127,025	-	1,127,025
Short-term loans from related parties	482,926	-	482,926
Lease liabilities	3,975	3,650	7,625
Long-term loans	413,347	697,512	1,110,859
Total non-derivatives	4,147,817	701,162	4,848,979
Derivatives			
Derivative liabilities: gross settled			
Cash inflows	2,303	-	2,303
Cash outflows	(2,792)	-	(2,792)
Total derivatives	(489)	-	(489)

36.3 Fair values of financial instruments

Since the majority of the Company's financial instruments are short-term in nature or carrying interest at rates close to the market interest rates, their fair value is not expected to be materially different from the amounts presented in the statement of financial position.

The methods and assumptions used by the Grouping estimating the fair value of financial instruments are as follows:

a) For financial assets and liabilities which have short-term maturities, including cash and cash equivalents, accounts receivable and short-term loans to related parties, accounts payable and short-term loans from banks, the carrying amounts in the statement of financial position approximate their fair value.

b) The carrying amounts of long-term loans carrying interest at rates approximating the market rate, in the statement of financial position approximates their fair value.

c) The fair value of derivatives has been determined using a discounted future cash flow model and a valuation model technique. Most of the inputs used for the valuation are observable in the relevant market, such as spot rates of foreign currencies, yield curves of the respective currencies, interest rate yield curves and commodity price yield curves. The Group considers to counterparty credit risk when determining the fair value of derivatives

During the current year, there were no transfers within the fair value hierarchy.

37. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate financial structure and preserves the ability to continue its business as a going concern.

No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 2019.

38. Approval of financial statements

These financial statements were authorised for issue by the Company's authorised Directors on 24 February 2021.

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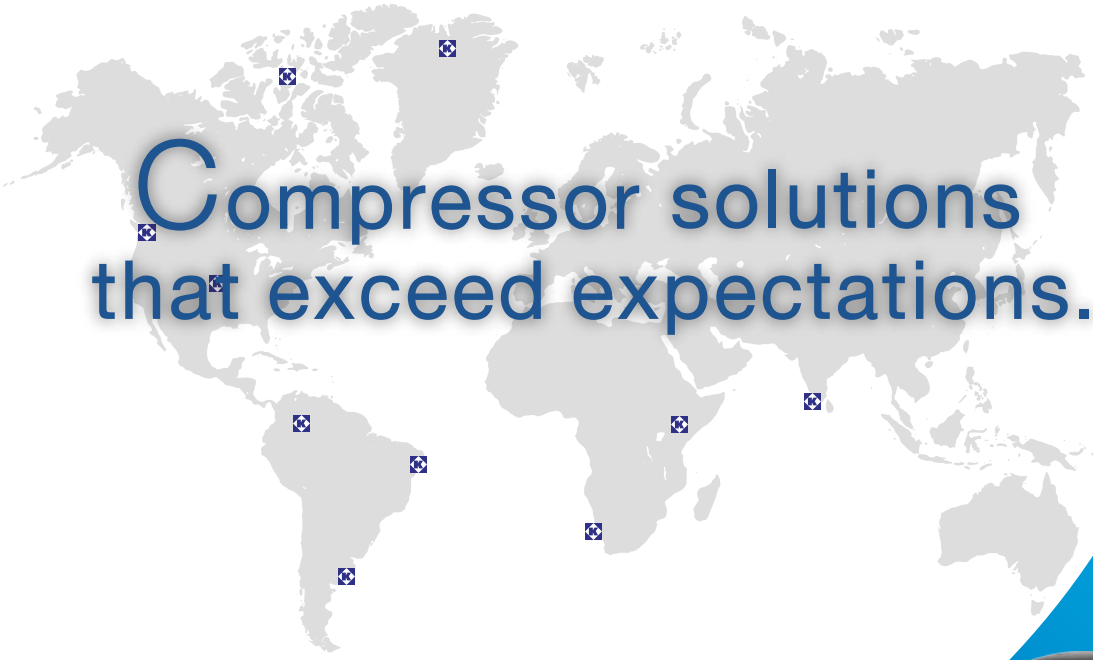

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